

*EVALUATION OF THE EUROPEAN
COMMISSION'S SUPPORT TO THE
HASHEMITE KINGDOM OF JORDAN*

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in co-operation with To-Excel (Amman)

Mr Jacques Toulemonde (Eureval) is the team leader and contact person in Europe (toulemonde@eureval.fr). Mrs Nesreen Barakat (nzbarakat@cyberia.jo) is the contact person in Jordan.

The evaluation is managed by the evaluation unit who also chaired the reference group composed by members of the services (EuropeAid, DG DEV, RELEX, ECFIN, EC Delegation in Jordan) and the Embassy of Jordan in Belgium.

The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of the countries concerned.

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Acronyms

| | |
|-------|---|
| AA | Association Agreement |
| BST | Business Service Team |
| CBJ | Central Bank of Jordan |
| CBO | Community based organizations |
| CFSP | Common Foreign and Security Policy |
| CRIS | Common Relex Information System |
| CSP | Country Strategy Paper |
| CVDB | Cities & Villages Development Bank |
| DLCG | Donor-Lender Consultation Group |
| DAC | Donor Assistance Committee (OECD) |
| DOS | Department of Statistics |
| EC | European Commission |
| ECHO | European Commission Humanitarian Aid Office |
| EFTA | European Free Trade Association |
| EIB | European Investment Bank |
| EIDHR | European Initiative on Democracy and Human Rights |
| EJADA | Euro Jordanian Action for Development of Enterprise |
| ERKE | Education Reform for Knowledge Economy |
| ETE | Education and Training for Employment |
| EU | European Union |
| EUDCG | EU Development Cooperation Group |
| FDI | Foreign Direct Investments |
| FEMIP | Facility for Euro-Mediterranean Investment and Partnership |
| FTA | Free Trade Area |
| GBS | General budget support |
| GDP | Gross Domestic Product |
| GIS | Geographic Information System |
| GoJ | Government of Jordan |
| IMF | International Monetary Fund |
| JISM | Jordan Institute for Standards and Metrology |
| JJI | Jordan Judicial Institute |
| JUMP | Jordan Upgrading and Modernisation Programme |
| JUST | Judicial Upgrade Strategy |
| MDG | Millennium Development Goals |
| MEDA | Financial and technical measures to accompany the reform of economic and social structures in the framework of the Euro-Mediterranean partnership |
| MCM | Million cubic meters |
| MIT | Ministry of Industry and Trade |
| NAF | National Aid Fund |
| NGO | Non-Governmental Organisation |
| NGWA | Northern Governorates Water Administration |
| NIP | National Indicative Programme |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Cooperation and Development |
| OPEC | Organization of the Petroleum Exporting Countries |
| PALD | Poverty Alleviation through Local Development |

| | |
|--------|--|
| QIZ | Qualifying Industrial Zones |
| RIP | Regional Indicative Programme |
| RSP | Regional Strategy Paper |
| SAF | Structural Adjustment Facility |
| SME | Small or Medium-size Enterprise |
| TA | Technical Assistance |
| ToR | Terms of reference |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNRWA | United Nations Relief and Works Agency |
| WB | World Bank |
| WHO | World Health Organisation |
| WTO | World Trade Organisation |

Introduction

This second volume of the evaluation report contains the detailed answers to the evaluation questions. These questions were chosen and validated by the reference group. They are listed in the following table.

Table 1 – Evaluation questions

| | |
|---------------------------------------|--|
| Coherence of strategy (S) | Have EC cooperation and external policies affecting Jordan been oriented towards clearly focused priorities and coherent objectives? |
| Jordanian Government's priorities (G) | Have EC cooperation and external policies in Jordan been aligned on GoJ's priorities? |
| Macro-economic policy reforms (E) | To what extent has the EC contributed to the improvement of Jordan's macro-economic policies? |
| Free trade and exports (T) | To what extent has EC's support in the areas of trade and private sector development contributed to increase exports? |
| Poverty alleviation (P) | To what extent has EC support contributed to satisfy the needs of the poor and near poor? |
| Water resources management (W) | To what extent has the EC contributed to enable all actors in the water sector to manage the resources sustainably? |
| Civil society and media (C) | To what extent has EC support contributed to strengthening pluralism in the civil society and media? |
| Instruments supporting SMEs (I) | How do the implementation modalities successively used by the EC for developing Jordanian SMEs compare in terms of cost-effectiveness? |
| Cross cutting issues (X) | To what extent has the EC mainstreamed gender and environment, and governance in its cooperation and external policies in Jordan? |

The first volume contains a summarised version of these answers in its fourth chapter, plus an overall assessment of the EC cooperation with Jordan in its fifth chapter.

The third volume includes a full description of the evaluation method.

The fourth volume compiles a series of working documents.

1 Coherence of strategy (S)

Have EC cooperation and external policies affecting Jordan been oriented towards clearly focused priorities and coherent objectives?

1.1 Approach to the question

This question addresses the articulation of EC objectives at country and general level, and the articulation between objectives and implementation, two issues which were highlighted in the Terms of Reference (ToR). During the pilot mission in Amman, doubts were expressed about the EC's capacity to focus on key priorities.

This question mainly belongs to the family of coherence. Coherence is also addressed through question G (coherence with the Government and other donors' strategies), and some sector-based questions which include assessments of the relevance to the country's needs and assessments of the coherence with other EU strategies.

The question pertains to the EC's strategy in Jordan. The main focus is on the CSP, but this section has a broader scope (including the years before 2002 and recent thoughts about the Neighbourhood Policy). The question covers not only activities funded under MEDA but also those implemented in any other EC policy framework, provided that they benefit Jordan directly¹.

The judgement criteria are the following:

- Objectives are structured and prioritised in an explicit way
- EC activities are logically connected to the overall objective of shared peace and prosperity
- Potential conflicts between objectives have been identified and prevented, and potential synergies have been identified and promoted.

The question is answered by testing the following assumptions:

- The EC strategy has been consistently geared to achieving key and well-defined objectives
- The overarching strategic objectives are reflected in subsequent decisions, especially in resource allocation
- Potential conflicts between EC objectives have been identified and prevented, and potential synergies have been identified and promoted.

¹ E.g. EC financial contribution to: the United Nations Relief and Works Agency (UNRWA) targeting Palestinian refugees, ECHO's humanitarian assistance, EIDHR projects, exceptional food security support and complementary rehabilitation projects in favour of drought-affected communities, NGO projects co-financing involvement of Jordanian actors in European projects like LIFE.

The answer to this question builds upon data analysed at the level of the EC country strategy as a whole. Potential conflicts and synergies are further investigated through a deeper examination of a few relevant cases like pro-poor components of the SAFs, support to SMEs and trade liberalisation, human rights and poverty alleviation.

1.2 EC strategy

Overview

The EC's highest priorities in its assistance to Jordan for the period 1997-1999 were to support the process of economic reforms and the development of the private sector². In the programming documents covering this period, the EC committed itself to intervene in the following areas [S1]³:

- Economic stabilization through structural reforms
- Trade liberalisation
- Economic growth through the assistance to private business and the restructuring of the productive sector
- Human resources development through vocational and professional training
- Mainstreaming of gender, demographic, and environment issues.

In the first years of the Millennium, the EC undertook its first country strategy exercise⁴. A draft version of the CSP 2002-2006 was prepared at EC headquarters in 2001 with the help of the Delegation. Then the document was formally submitted to the Maghreb-Mashreq working group of the European Council in Brussels, and to the Government of Jordan, before final approval in 2002. The document established the following priorities [S1]:

- Trade enhancement and institution building (introduced as “the key objective”)
- Stable macro-economic framework and economic reforms,
- Social reforms and human resources development (understood as part of a “broad-based poverty alleviation and employment creation strategy”)
- Development of infrastructures including regional cooperation, with a concentration on the water sector
- Strengthening of pluralism, civil society and the rule of law.

In 2004, Jordan and the EU established an Action Plan in the framework of the Neighbourhood Policy. The document covers a wide range of issues, and goes well beyond

² MEDA evaluation 2003, Jordan Country report

³ This volume uses a series of indicators which are presented in the section 2 of the volume 3, and which are referred to as [S1], [S2], etc.

⁴ The Association Agreement which was signed in 1997 (and enforced in 2002) was not yet a country strategy, but rather an adaptation of the EU's Mediterranean strategy.

the traditional area of development aid and cooperation. The following areas are to be given “particular attention” [S1]:

- Democracy, judiciary, freedom of expression, and equal treatment of women
- Middle East Peace Process and the fight against terrorism.
- Improvement of business conditions, increase of investment, and enhancement of Jordan’s export potential
- Management of migratory flows and facilitation of movement of persons
- Sustainable development and poverty reduction
- Investment in infrastructures and interconnection with EU networks
- Science and technology

In March 2007, the EC has translated the Action Plan into a new CSP covering the 2007-2013 period and providing financial support mainly in the following areas⁵[S1]:

- Support to political developments, including role of civil society, freedom of media, cooperation with the Parliament
- Development of trade and investment with an aim to reinforce EC-Jordan economic ties
- Employment and Education
- Water and energy
- Public finance management and institutional strengthening.

Analysis

Assumption: the EC strategy has been consistently geared at achieving key and well defined objectives.

Major objectives and prioritisation

Several major objectives have remained prioritised over the whole period under evaluation: (1) Trade liberalisation and assistance to private business with a view to enhance Jordan’s exports, (2) Education and employment, (3) Gender

Some objectives were introduced in 2002 (4) Poverty alleviation, (5) Water resources, (6) Pluralistic civil society and rule of law

A new objective is now prioritise/ (7) Energy.

As far as the issue of prioritisation is concerned, the evaluation team understands that new priorities have been successively piled up over the previous ones. The evaluation team has unsuccessfully looked for evidence that the entry of a new priority in the EC’s strategy has been accompanied by the exit of a previous one. Interviews in the Delegation confirm this finding.

⁵ EC Press release IP/07/267 - 01/03/2007

Articulation of objectives

This evaluation concentrates on the strategy paper issued in 2002. This document has a relatively explicit hierarchy of objectives. For the evaluation team, it was easy to reconstruct the diagram of expected effects (see Volume 1, part 2, and Volume 3) [S2]. This vision of the strategy did not raise any controversial comment when submitted to EC officials.

The strategy had however a logical weakness in the area of trade. Trade liberalisation and the economic integration of the Euro-Mediterranean area are by far the most visible objectives of the Association Agreement, and they remained on the same level in all subsequent strategy documents.

Trade liberalisation was implicitly considered as a driver to export based development until 2002. Until this date, EC's documents tend to present the benefits of trade liberalisation as an act of faith in the economic theory, without articulating the cause-and-effect assumptions in the context of Jordan [S2]. These underlying assumptions are summarised in Box 1, and extensively discussed in section 4. The issue is discussed again the section 52 of Volume 1 in another perspective (learning from failures).

Box 1 – Implicit assumptions about trade in the EC's strategy

Before 1995, the first objective of the EU was to establish closer relationships with its Mediterranean neighbours at a time of international troubles. In the absence of a genuine EU foreign policy, trade policy has been used as the only available instrument, and especially tariff and quota reductions.

Trade liberalisation was complemented in the late 90's by a new focus on industry upgrading, and vocational training with a view to building export capacity and generating an export based growth.

An objective of regional integration was then added, and was materialised in the Agadir Declaration (2001) and Agadir Agreement (2004). An assumption is that South-South business will develop, with substantial benefits in terms of competitiveness of Jordan's enterprises.

It is now recognised that a major constraint limiting Mediterranean export to the EU are not tariffs and quotas but technical barriers to trade, and the current EC's strategy addresses this challenge.

Unclear objectives

Some higher order objectives have been borrowed from the Barcelona Declaration and their meaning has been taken for granted. The evaluation team had however difficulties with two of them: "conflict prevention" and "mutual understanding", which involved ambiguities when analysed in a logical perspective.

The problem with "conflict prevention" is that, considering the role played by the country in the international arena, the EC-Jordan cooperation as a whole should be seen as a

contribution to peace. Only a few interventions can be understood as making a specific contribution to the settlement of regional conflicts, mainly the emergency support to Palestinian refugees, and the projects related to cross-border water resources⁶. Some EC activities may also deal with internal Jordanian conflicting issue, like the price of irrigation water (see 6). In fact, the term “conflict prevention” is understood in both ways (interviews EC).

The term “mutual understanding” is used as a major objective of the Barcelona process, of the Association Agreement and of the CSP. However, it lacks clarity and the strategy documents fall short to explain how EC interventions in Jordan are to contribute the achievement of this objective⁷ [S2]. Referring to the Barcelona declaration (see Box 2), the evaluation team understands that the implicit logic is the following:

- The EC support creates joint working opportunities between opinion leaders, students as future opinion leaders, and grass root organisations. This ends in lasting trans-national EU-Mediterranean networks
- This promotes participants’ acceptance of the different whilst developing their understanding of their respective cultural backgrounds
- This generates a wider dissemination and acceptance of European knowledge, ideas and culture in the Jordanian public and of Arabic/Muslim knowledge, ideas and culture in the European public.

Box 2 – Mutual understanding as described in the Barcelona Declaration

Through the Barcelona Declaration, the EU and its partners committed themselves to promote:

- Networking of representatives of municipalities, regional authorities, religious institutions, media, as well as theologians, academics, officials, scientists, businessmen, sportsmen, ...
- Youth exchanges, particularly students
- Cultural exchanges, heritage, artistic events, co-productions (theatre and cinema), translations and other means of cultural dissemination.
- Knowledge of languages
- Cooperation at grass-roots level
- Removal of unnecessary administrative obstacles to exchanges

⁶ The CSP indicates that some interventions in the areas of trade, regional infrastructures, and cross-border water resources may contribute to conflict prevention in the region.

⁷ A look at the MEDA evaluation confirms that the same applies at the level of the region as a whole.

Articulation of levels

Finally, the very concept of country strategy is not fully clear in a context where some objectives can be achieved on the regional level mainly⁸, and where a significant part of the EC support is channelled through centralised budget lines and regional programmes⁹. The problem is even worsening with the increasing involvement of Jordan actors in multi-national projects funded through European calls for proposals¹⁰.

Table 2 – Main budgetary allocations since 2002

| <i>Intervention</i> | <i>Allocation (million EUR)</i> | | <i>Year</i> |
|---|---------------------------------|---------------|-------------|
| | <i>Jordan</i> | <i>Region</i> | |
| Support to the Implementation of the Association Agreement | 20 | | 2002 |
| Structural Adjustment Facility III - SAF III | 60 | | 2002 |
| Promotion of Human Rights and Democratisation in Jordan | 2 | | 2002 |
| JOR – EUMEDIS: STRABON | 3 | | 2002 |
| Tempus program | 6 ¹¹ | | 2003 |
| MEDAWATER | | 31.9 | 2003 |
| Institutional Support to Aqaba Special Economic Zone Authority (AZESA) | 10 | | 2003 |
| Improvement of Irrigation Water Management in Lebanon and Jordan | | 4.8 | 2003 |
| Emergency Budgetary Support in Jordan | 35 | | 2003 |
| ADIRA: Autonomous Desalination System Concepts for Sea Water and Brackish Water in Rural Areas with Renewable Energies - Potentials, Technologies, Field Experience, Socio-technical and Socio-economic Impacts | | 2.7 | 2003 |
| Support to Poverty Reduction through Local Development | 30 | | 2004 |
| Water Data Banks - Israel, Jordan, Palestinian Authority | | 2.4 | 2005 |
| Support to Human Rights and Good Governance | 3 | | 2005 |
| Sector Reform Facility (private sector) | 40 | | 2005 |
| Development of Democracy, human rights and good governance | 5 | | 2005 |
| Support to the Implementation of the National Agenda | 20 | | 2006 |
| Support to Jordan's National Education Strategy | 42 | | 2006 |
| Education and Training for Employment (ETE) | 5 | | 2006 |
| Al Meyah: Supporting Management of water resources in Jordan | 5 | | 2006 |

⁸ E.g. mutual understanding, private sector development

⁹ This is exemplified in the MEDA I evaluation in the following terms: “the Delegation staff has no complete list of ongoing regional projects involving a Jordanian or sub-regional component, of their beneficiaries or of the contractors. It may happen that the Delegation is requested to attend an event and deliver a speech in the framework of an EC-funded activity of which it had no knowledge prior to the event”.

¹⁰ E.g. Galileo, twinnings, Life, Tempus

¹¹ Not yet fully clear whether this amount pertains to Jordan only or to the region

1.3 De facto priorities

Overview

Table 2 displays a list of the main financial allocations decided after the CSP was approved, and which should have been aligned to it:

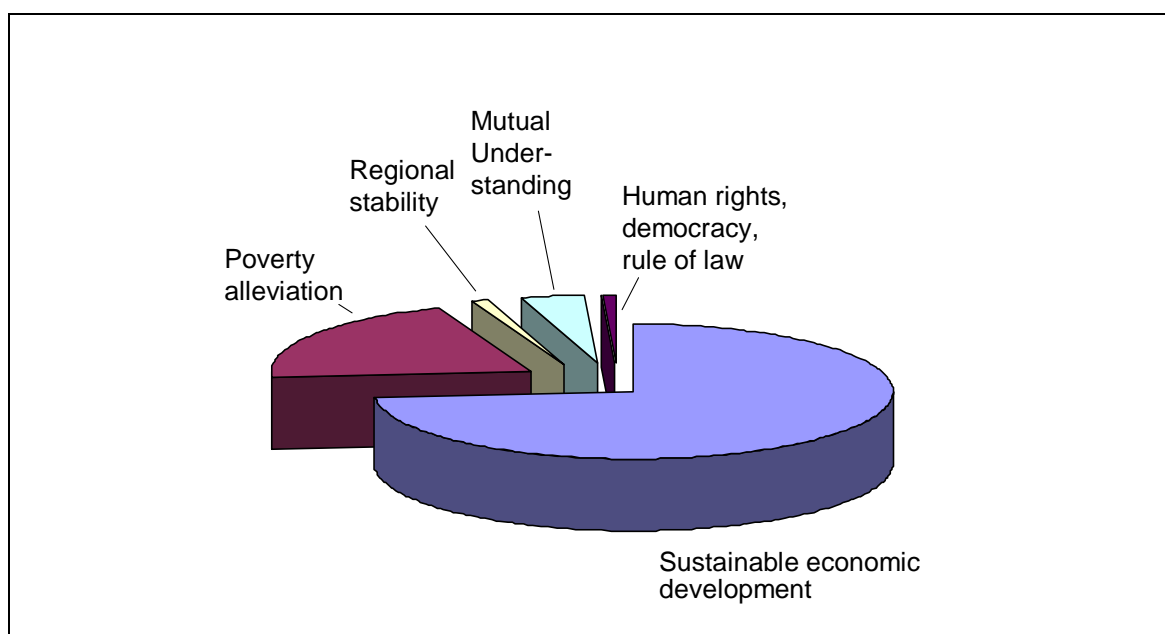
Analysis

Assumption: the higher order strategic objectives are reflected in subsequent decisions, especially in resource allocation

One of the major changes in the EC strategy has been the new emphasis on poverty alleviation. This change in the set of priorities has given birth to a strand of major projects and programmes (see 5.2), which is fully in line with the assumption. It has taken two years for the corresponding EC support to reach its target in the field, something which reflects the usual time needed for projects to mature, and certainly not a lack of willingness of the EC to apply the new priority.

The assumption is also confirmed by the overall analysis of the portfolio of EC interventions (see Volume 3). The analysis shows (Figure1) that most of the EC's financial support is geared at economic development, and that poverty alleviation comes second. The other dimensions of the Barcelona process are devoted little resources in financial terms.

Figure1 – Orientation of EC financial support towards shared peace and prosperity



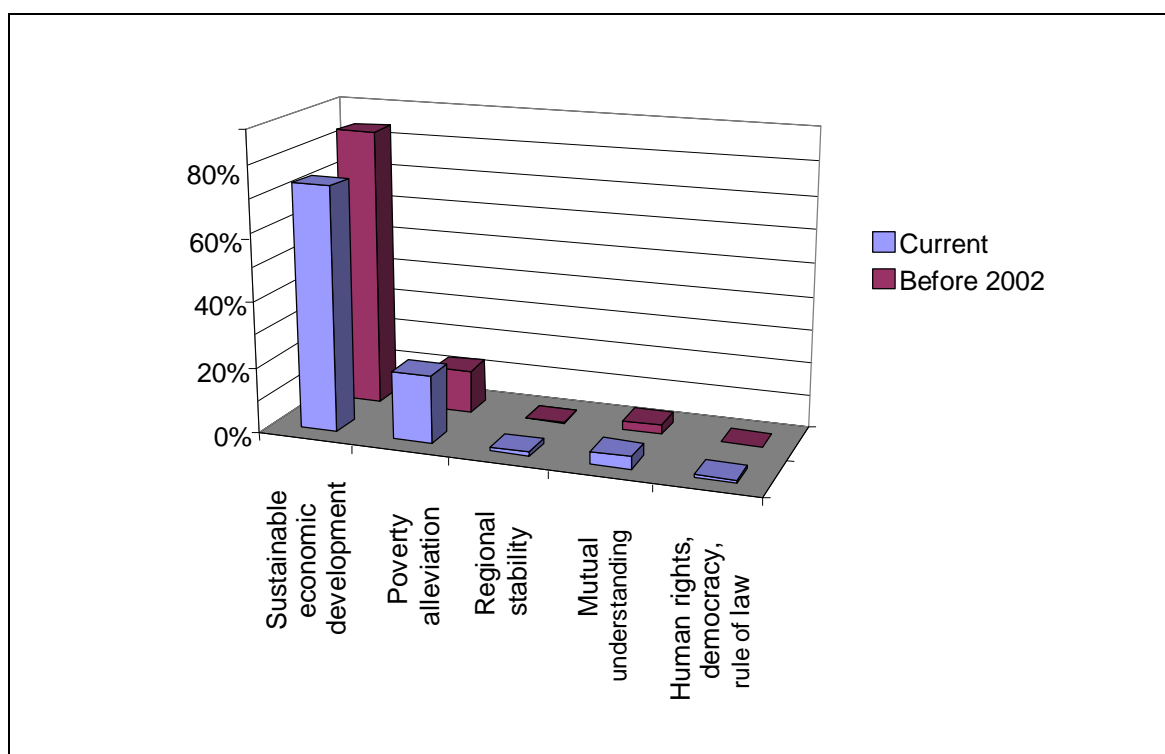
Million EUR, 2002-2006 – contracted – broken down by intended impact - source: evaluation team's estimate

The Figure2 shows the same break down before and after the CSP (background and front bars respectively). The most significant change is that the EC's portfolio of interventions was increasingly geared at alleviating poverty, which corresponds to one of the main

strategic shifts in the CSP. The section 5.2 shows that at least one intervention (PALD) has reached the field in a relatively short period of time (2 years).

The other strategic shift was the new priority on “strengthening of pluralism, civil society and the rule of law”. It is not visible in the financial analysis below because the funds involved are modest, but it is reflected in the allocation of human resources in the Delegation as explained in 0.

Figure2 – Change in the EC’s approach to shared peace and prosperity



Million EUR – contracted – broken down by intended impact - source: evaluation team’s estimate

1.4 Promoting coherence

Overview

The CSP has a section devoted to coherence with other EU policies. The evaluated interventions are understood to have major connections with respectively (1) EC trade policy, and (2) EU foreign policy and contribution to settling regional conflicts.

Analysis

Assumption: potential conflicts between EC objectives have been identified and prevented, and potential synergies have been identified and promoted

It is clear from section 4.2 that the potential conflicts and synergies between trade and cooperation have been identified and managed [S4].

The evaluation team has observed almost no connections between the EC cooperation and the EU's contributions to the regional peace process [S3], something which may be easily explained by the constraints prevailing in the neighbouring countries (see 2.2).

There is a formal coherence between the regional MEDA programme and the country strategy, by the fact that both are geared at the overarching objective of shared peace and prosperity. However, the evaluation team has observed little mutual support [S4] except in the field of unconventional water resources (see 6.2).

Box 3 – Answer to the question S (coherence of strategy)

In 2002, the EC equipped itself for the first time with a strategy connecting its actions in Jordan, the objectives of the Barcelona Declaration, and the specific needs of the country. The CSP had a relatively explicit hierarchy of objectives, and all prime objectives were articulated with the Euro-Mediterranean policy.

Their meaning has however been taken for granted, which sometimes entails weaknesses in the consistency of the strategy. When analysing the EC strategy documents, the evaluation team could not retrieve any consistent chain of assumptions explaining why and how the support would contribute to achieving major objectives like “conflict prevention” and “mutual understanding”. Another logical gap was the lack of explanation of how trade liberalisation was seen as a driver to economic development.

The CSP included the new objectives of “poverty alleviation” and “human rights”. These two strategic shifts have been fully reflected in the financial decisions taken subsequently, and in the projects and programmes which have been implemented in the past few years.

However, the two new priorities piled up over, a practice which has been continued in the most recent years. There are no signs that the entry of a new priority in the EC's strategy has led to the exit of a previous one. Moreover, Jordanian actors are increasingly involved in calls for proposals which are managed at the regional or European levels with uneven connection with the EC's priorities in the country.

The CSP points out two connections between EC cooperation and other European policies, i.e. (1) EC trade policy, and (2) EU foreign policy and contribution to settling regional conflicts. In the first instance, potential synergies have been actively promoted. Due to the tight constraints of the regional context, almost no connection could be made between the EC cooperation in Jordan and the EU's contributions to the regional peace process, despite a few attempts in the area of cross-border water management.

There is a formal coherence between the regional MEDA programme and the EC strategy in Jordan, in so far as both are geared to the overarching objective of shared peace and prosperity. However, the evaluation team has observed little mutual support across both levels, except in the field of unconventional water resources where EC projects at regional and national level successfully complemented one another.

Box 4 – Coherence of strategy (S): main message and justification

EC's strategy was relatively coherent and actually applied

In 2002, the EC equipped itself for the first time with a relatively explicit hierarchy of objectives connecting most of its actions in Jordan, the objectives of the Barcelona Declaration, and the specific needs of the country. Since then the strategy has been consistently applied, in the sense that the new priorities (poverty alleviation and human rights) have been fully reflected in the allocation of human and financial resources, in policy dialogue, and finally in projects and programmes which have been rapidly implemented.

Justification

It was agreed that the strategy should be assessed as “coherent” if “the objectives are structured and prioritised in an explicit way”, and if “EC projects / programmes are logically connected” to them.

Despite reservations about insufficient prioritisation efforts and some poorly articulated objectives, the evaluation team considers that the strategy has been coherent. This assessment builds upon the following arguments:

Poverty alleviation and human rights were explicitly stated as new priorities in 2002.

Subsequent to this strategic shift, the EC significantly changed its allocation of resources:

- The share of financial commitments targeted at poverty alleviation has risen significantly. Funds targeted at poverty alleviation have increased faster than those targeted at all four other “paths to shared peace and prosperity”.
- The Delegation has made substantial and rapid efforts in the area of human rights and civil society.

The EC and the EU have successfully targeted the two new strategic priorities in their dialogue with the Government:

- Interviews show that the dialogue with EC initiated the new “bottom-up” approach by the Government to tackle poverty pockets.
- Jordan recently agreed to the creation of a Sub-Committee on Human Rights to engage in a structured dialogue with the EU on progress achieved in this area. This is the first mechanism of this kind in the MEDA region. This dialogue with the EC/EU is considered to be a major contribution to the recent integration of a number of human rights treaties into Jordanian law, a step which had been awaited for ten years in some instances (see Volume 2, section 7.5).

Finally, the new strategic priorities were converted into financial commitments in two years or less. This is faster than usual in comparison to other country strategies, to the knowledge of the evaluation team (e.g. six years in Tanzania).

2 Jordanian Government's priorities (G)

Have EC cooperation and external policies in Jordan been aligned on the Government's priorities?

2.1 Approach to the question

The ToR require the evaluation to assess the “ownership of [the EC's] strategy by the partner country”. Contrary to such an approach which takes the standpoint of the EC, it was decided during the inception phase to take the standpoint of Jordan and to assess the “alignment of EC on the Government's priorities”. A marked interest was expressed in a dynamic approach to this question.

As a consequence, the analysis covers the whole time period under evaluation (before/after the CSP)¹².

The question belongs to the family of coherence, and especially external coherence. European value added is also considered, as well as relevance, assuming the Government's priorities reflect the main needs of the country and the challenges it faces.

The judgment criteria are the following:

- The main changes in the allocation of EC funds are in line with the main changes in the Government priorities
- The EC has taken stock of other donors' comparative advantages as they are perceived by the Government.

In the course of this evaluation, the criterion of alignment of strategies has been thoroughly discussed, and this has led to conclusions which both reflect the criterion and transcend it. Similarly, the criterion of comparative advantage has been thoroughly discussed, and applied in an innovative way (see 2.4).

The question is answered by testing the following assumptions:

- The EC has joined its efforts to those of EU Member States and EIB with an aim to matching the Government priorities in a dynamic way, taking stock of the respective comparative advantages within the EU
- The EC and EU achieved high-level dialogue with the Government as regards strategy-making and the formulation of priorities on both sides
- The main changes in the allocation of EC funds are in line with the main changes in the Government' priorities, relative to the respective comparative advantages within the EU.

¹² Contrary to what was stated in the inception report in which this question focused on the CSP only.

The answer to this question builds upon data analysed at the level of the EC country strategy as a whole.

2.2 EU level coordination

Overview

European Council

EU coordination takes place at higher level at the stage of the preparation of the meetings of the Association Council and Association Committee, each one having held one meeting a year since 2002.

The European Council implements the Common Foreign and Security Policy (CFSP) through which the EU contributes the regional peace process. The evaluation team has however observed almost no connections between the two policies. For instance, the EU's statement prepared for fifth meeting of the Association Council (November 2006) includes an article (16) devoted to the Middle East peace process, and this 20 line text does not suggest any connection between both policies.

Member States

Among EU Member states, Germany has had the largest cooperation with Jordan, with annual allocations of around EUR 32 million. Its interventions focus on the water sector and, on a lower scale, on private sector development, promotion of a quality standards, poverty alleviation, and budgetary management. UK's annual aid to Jordan has been around EUR 7 million and its interventions have been related to support for economic and institutional reforms, closely aligned to IMF and World Bank programmes. Italy has also had an active cooperation with Jordan: around EUR 5 million of yearly assistance. France has concentrated on financial cooperation and debt swaps¹³.

The Table 3 gives an overview of the disbursements of EU donors in 2003.

Table 3 – EU players per sector

| | <i>CE</i> | <i>DE</i> | <i>ES</i> | <i>FR</i> | <i>IT</i> | <i>SV</i> | <i>UK</i> |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Education | | | | X | | X | |
| Water | X | X | | X | X | | |
| Governance, civil society | | | | | X | | X |
| Private sector development | X | X | | | X | | |
| Energy | | | | | | X | |
| Trade | X | | | | | | |
| Other | | | X | | | | X |
| Multi-sector | X | | | | | | |

More than EUR 0.1 million disbursed in 2003 – source NIP 2004-2006

¹³ Evaluation of MEDA I, Jordan country report

Coordination with Member States has progressively developed during the last ten years with the establishment of the EUDCG in 2000. Presently, there are monthly meetings chaired by the EU, focusing on overall coordination issues, with a special emphasis on establishing an “EU road map for donor harmonisation and alignment”.

European Investment Bank

Before 1996 the EIB provided Jordan with a significant proportion of the “horizontal package” in support of the EU Mediterranean Policy, in the form of long-term loans (more than EUR 250 million) and risk capital. The volume of EIB lending to Jordan during the period 1995-2003 amounted to EUR 363.2 million, concentrated mainly on industry (e.g., potash and phosphate mining) and infrastructure (e.g., the water supply network of Greater Amman, Amman wastewater treatment, and Aqaba port). More recently, the EIB has lent EUR 45 million in support of the educational policy.

Since October 2002, activities of the EIB in Jordan take place within the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). FEMIP integrates the EIB’s existing interventions with an emphasis on the development of private sector economic activity and projects contributing to the creation of a favourable climate for private investment. During the latest years the activity of FEMIP has been quite limited in Jordan.

Coordination with the EIB is achieved under the Strategic Partnership Agreement involving the EC and the World Bank. The system was launched in 2004 and Jordan was a pilot country for this partnership. Common areas of interest have been identified: energy, water, trade and transport facilitation, private sector development, and human resources development.

Analysis

Assumption: The EC has joined its efforts to those of EU Member States and EIB with an aim to match Government’s priorities in a dynamic way, taking stock of the respective comparative advantages within the EU.

Member States

In 2002, the CSP included a one page review of Member States’ activities. An EU donor matrix has been set up in 2003 for the first time, and attached to the NIP 2004-2006.

The monthly EUDCG meetings are devoted to sharing information and discussing the European council resolutions. The MoPIC is invited to the meetings.

Some interviewees quote examples of coordination in the area of capacity building, technical assistance, and twinning programmes: “we get an overview of what different Member States are doing and what the Commission is doing in Jordan; we share information.” (interview other donor). The actual effectiveness of EU level coordination is not yet fully recognised as stated by several interviewees, e.g. “we do not feel that the Member States and the EC have much coordination” (Interview Government). Finally, the interviews show that EU-wide coordination is easier in the areas where the EC decision-making process is decentralized.

Coordination is a complex issue and may cover: (1) mutual information on activities, (2) avoidance of duplication and overlapping, (3) sharing of diagnoses, (4) sharing of best

practices, (5) sharing of roles according to comparative advantages, (6) attempt to achieve economies of scale and cost reduction.

It is the understanding of the evaluation team that priority is put on (1) and (2). The idea of sharing roles according to comparative advantages (5) has been strongly opposed (interview in the Delegation) on the ground that the concept of comparative advantage is not clear.

European Investment Bank

Coordination mechanisms with EIB are recent and there has not been much to coordinate during the latest years since the FEMIP instrument has not been used in Jordan. The evaluation team has collected the view that “there is room for improvement” (interview EC).

The EC supported EJADA programme has however contributed to close the gap through organising an EIB visit in 2005, which was followed up by high levels talks with a view to increase the use of the FEMIP instrument in Jordan (interview businesses).

On the regional level, the available information is that the EC has recently released a review¹⁴ of the European Investment Bank’s Facility for Euro-Mediterranean investment and Partnership (FEMIP). The document suggests that EIB could do a lot more to support SMEs which account for more than 95% of all business, and 50-70% of employment in many Mediterranean countries. Some 60% of FEMIP loans finance infrastructure projects, such as the Amman ring road (...). The Commission has now called on the EIB-led facility to adjust its financial instruments in order to better address the needs of SMEs.

2.3 Policy / political dialogue

Overview

The Association Council and Association Committee are the main arenas where a high level dialogue¹⁵ takes place with the Government, together with the Member States. Much room tends to be made to the regional conflicts, but specifically Jordanian issues are also discussed, e.g. gender, freedom of media, fight against corruption (interview EC).

EU-Jordan dialogue is to be seen in a context where the EU is not the main player, a role which is played by the USA. This is true for the country as a whole, but also in many sectors like private sector development (see 4.4), local development (see 5.3), water (see 6.4) or civil society (see 7.4).

The arena where the Government discusses with all donors is the UNDP-led Donor/Lender Consultation Group (DLCG) which was initiated in 2000. In 2001, this process has evolved into the creation of six sectoral sub-groups: Environment, then chaired by the EC Delegation; Micro-finance; Social development; Water; Governance/public sector reform; and Information Technologies. The DLCG meetings

¹⁴ <http://www.eumedis.net/en/news/id/379>

¹⁵ called “political dialogue”

are held at heads or deputy head of mission level monthly. The chairmanship is allocated on a six-month rotation basis and the UNDP office acts as a secretariat.

The Group has achieved substantial credibility by associating as often as possible high-level representatives of the Jordanian Government.

The input of the EC in the coordination mechanisms is heavily dependent on its capacity. At the level of the Delegation, this capacity has been considerably reinforced through the deconcentration process, which involved a sharp increase in the Delegation staff (from about 20 persons to 42 persons). The Delegation's sector expertise goes however through ups and downs because of the staff mobility, and to the limitations in the hiring of local professionals (interviews EC and Government).

According to the World Bank¹⁶ the main roles are divided as follows:

- USA supports private sector development, water, health and governance
- EU supports public sector reform, private and financial sector, development and employment policy
- Japan focuses on water, environment, health and vocational training
- The UN agencies promote human development approaches, good governance and public sector reform
- The World Bank supports the strengthening the investment environment and human resources for a skill-intensive and knowledge-based economy, access to services and economic opportunities, social development and inclusion, and public sector reform.

Analysis

Assumption: The EU achieved to create a high level dialogue with the Government as regards strategy making and the formulation of priorities on both sides.

Promotion of dialogue and coordination

The EU played a key role in bringing the dialogue to the level of all donors/lenders. In fact, the DLCG was set up “at the request of the European Ambassadors in Amman” and the EU (Commission and EU presidency) provided the first six-month presidency. The aim of the EU was (1) to avoid donors' competitive behaviour, and (2) to complement the efforts of the Aid Coordination Unit in the Ministry of Planning. The Delegation was said to “play an important role in influencing the main lines of the donor's coordination together with the UN Resident Co-ordinator and USAID representative”. The successful setting up of coordination mechanisms was “made possible by the fact that EC was credible as a reliable and timely donor in terms of technical assistance”¹⁷.

¹⁶ Country Assistance Strategy 2003-2007. Report issued September 13th 2006 Section “V” Bank Support and Strategic Issues para “E” Donor Support

¹⁷ Quoted from MEDA I evaluation, Country Report Jordan

Overall effectiveness of dialogue and coordination

There are clear and convergent signs that the EC and the EU have been good at creating a smooth dialogue.

This is first confirmed by the interviews within the Government, e.g. “the EC is always willing to communicate and to open areas of dialogue to address any issues that may arise”. “EC and EU Member States have made every effort to give valuable input”.

Interviews with other donors go in the same direction: “EC was very much effective, especially when it comes to dialogue on political or economic reforms”; there is a “well structured dialogue on a political level”; “The EU is very respectful about coordinating primarily through MoPIC”.

Finally, the high level “political dialogue” is said to be easy and consensual. Country specific issues are discussed “much more substantially with Jordan than with many other countries in the region” (interview EC).

The merits of the EC/EU should however been assessed in a context where national institutions and other donors are keen to discuss and coordinate, as can be seen in the case of the Jordan Judicial Institute (see Box 19).

Limitations in dialogue and coordination

Several limitations have been quoted in the interviews with other donors:

- Difference in time horizons: “the fact that the EU starts its strategic planning three years before activities will begin means that it is hard for us to know if we will be overlapping after three years has passed and it is hard for the EU to providing timely assistance”
- Superficial approach to coordination: “the problem with the sub group ... is that it is too broad”; “the meetings are most useful for those who are not doing anything to see what others who are doing”
- Bottlenecks: “the Aid Coordination Unit at MOPIC is limited in its capacity”; the MOPIC does not systematically “informing donors of what other donors are doing”.

2.4 Dynamic alignment of strategies

Overview

In November 2001, the Jordanian government announced “an ambitious five-year Social and Economic Transformation Plan that aims at upgrading public and social services and speed up economic reform, thus improving the living conditions and creating job opportunities for an extremely young and rapidly expanding population”¹⁸.

In November 2005, Jordan has developed a comprehensive ten-year strategy called “National Agenda” with the chief objective of “improving the quality of life of Jordanians

¹⁸ Source: Jordan Overview (EC / Relex, 2002)

through the creation of income-generating opportunities, the improvement of standards of living and the guarantee of social welfare". For the first time in Jordan, the Government commits itself to monitor the implementation of the initiatives and to evaluate their impact.

To ensure a real ownership of the reform process, the authorities have developed a parallel initiative called Kulluna al Urdun ("We Are All Jordan"). The initiative was developed under the auspices of a steering committee by a number of task forces gathering 300 participants from the Government, Parliament, civil society, private sector, media, universities, municipalities, etc.

Analysis

Assumption: The main changes in the allocation of EC funds are in line with the main changes in Government's priorities, taking stock of the respective comparative advantages within the EU.

Responsiveness to Government's demands

Together with several other donors, the EC has regularly responded to the most urgent macro-economic needs of Jordan (see 3.4).

Responsiveness to Government's demands was also the rule for large infrastructure projects. In this area, the traditional functioning was that (1) the line ministries submit their projects to the MoPIC, (2) the MoPIC submits the projects to the donors, and (3) the donors respond to the demands. Some of the interviewed donors continue to describe this type of functioning, for instance in the water sector.

In this traditional approach, the MoPIC is functioning like a market place, with a tendency to generate competition between donors, something which has been observed in areas of water management (see 6.4) and direct support to SMEs (see 8.3).

Several interviews suggest that the EC is not good at playing such a competition game because its decision making mechanisms are lengthy, e.g. "the EU has a long process in trying to respond to demand of Government whereby the time they respond the Government has moved to something else. The process of designing programs for the EU is long. It takes them time to do something" (interview other donors).

Alignment on Government's priorities

In a workshop held in Amman in March 2007, the four Jordanian experts of the evaluation team have established a list of significant changes in the Government strategy over the last ten years and they came to the conclusion that the main three ones were (1) privatisation in the mid 90's, (2) poverty alleviation in 2002, and (3) strengthening of municipalities in 2006.

This evaluation shows that the EC has accompanied all three strategic shifts as can be seen in sections 3.2 and 6.2 (privatisation) and 5.2 (poverty alleviation and strengthening municipalities).

The EC's alignment on Government's new priorities was acknowledged by interviewees, e.g. "The EC picked up indicators from the Kings and Jordanian leaders speeches and from official documents and they based their assistance on those indicators. Their aid is in line with the Government Development Plans. They build on our needs. The only problem is with implementation since EC's expectations are higher than those of other donors who better understand our capabilities" "The dialogue with EC and EU Member States is driven

by the Minister since the Government has made clear [what was] its priority” (Interviews Government) [G1].

Parallel priorities

In several areas, there is evidence that the policy dialogue and the alignment of objectives go hand in hand. For instance, the main EC project covering the area of human rights was tailored to match the objectives of the EC, of the Jordan-EC Action Plan, and of the National Agenda. In fact, “most of these objectives are in line together” (Interview EC).

The economic reform process is understood to be a two-way process where priorities are jointly established and monitored through policy dialogue and capacity building (see 3.5).

The policy dialogue has been particularly praised in the area of poverty alleviation, which was prioritised by the EC and the Government in the same time period (2001-2002) (see 5.3) [G2].

In both instances, the EC has contributed to bringing new issues on the Government’s agenda in a context of consensual dialogue.

Limitations in the dialogue

In several instances, the evaluation team found that the dialogue remain ineffective, with the consequence that the EC and the Government have to “agree that they disagree”. This has been observed in two areas with quite contrasted outcomes:

- In the area of women’s rights, the EC and the EU have often raised sensitive issues like honour crimes. Due to cultural differences, this dialogue has not led to significant changes (Interview Delegation). In the meantime, the EC funded Sharaka project has achieved to make very significant inputs on the issue of women’s rights in the public arena (see 7.6), with the likely outcome that the public opinion will evolve, and that the dialogue on sensitive issues will eventually become effective in the long term.
- In the area of agricultural use of water, the EC has repeatedly discussed the issue of sustainable management, once again without significant results. This is mentioned in an interviewee in the following terms: “our objectives are not fully coherent with that of the Government in the area of sustainable water resource management” (Interview Delegation). This can be easily explained by Jordanian politics since a large area in the country depends upon the unsustainable use of water for irrigated agriculture. In this instance, an alternative to policy dialogue could have consisted of promoting initiatives in the civil society and in the expert networks. The interviews show that several other donors have taken this approach, but not the EC (see 6.5).

Box 5 – Answer to the question G (Jordanian Government priorities)

The EC has progressively set up adequate coordination arrangements with all EU actors, i.e. Council, EIB and Member States. Actual coordination is becoming effective, mainly in terms of mutual information and avoidance of overlapping. There are however no reasoned and formal commitments of EU players to specialise in particular sectors according to a common understanding of their comparative advantages.

The EC has managed to have satisfactory dialogue with the Government at both technical and political levels.

On the technical level, the traditional approach was that line ministries submitted their projects to the donor community through the MoPIC, a system which tended to generate competition between donors¹⁹. In 2000, the EU was instrumental in initiating dialogue among all donors/lenders. This was done by setting up a “Donor/Lender Consultation Group”. The group was created “at the request of the European Ambassadors in Amman”. The Commission and the Member State presiding over the Council provided the first six-month presidency of the Consultation Group. The aim of the EU was, inter alia, to avoid donors’ competitive behaviour.

On a more strategic level, the EC has managed to accompany all major shifts in the Government’s strategy during the period under study and, in addition, has sometimes contributed to putting new issues on the Government’s agenda through a mix of systematic dialogue and technical assistance (see 5.3). In the infrequent instances where the dialogue remained ineffective, the EC has sometimes deployed an alternative approach which consists in paving the way for future reforms by supporting civil society organisations, for instance in the area of women’s rights (see 7.6).

¹⁹ Interviews also suggest that the EC is not good at playing such a competition game because its decision-making mechanisms are lengthy.

Box 6 –Jordanian Government priorities (G): main message and justification

EC's strategy has been aligned on Jordan's priorities in a dynamic way

Notwithstanding that the EC has provided only a minor share of external assistance to Jordan, it has managed to accompany all major shifts in the Government's strategy during the period under study and, in addition, has sometimes contributed to putting new issues on the Government's agenda through a mix of systematic dialogue and technical assistance.

Justification

A positive answer to question G could be given if the allocation of EC funds followed the main changes in the Government's priorities.

The evaluation team's positive answer derives from a review of the most significant changes in the Government's strategy over the last ten years (as assessed by the four Jordanian experts of the evaluation team in a workshop held in Amman in March 2007), i.e. (1) privatisation in the mid-90s, (2) poverty alleviation in 2002, and (3) strengthening of municipalities in 2006:

- The EC has accompanied the privatisation process in two ways: multilateral policy dialogue on privatisation in connection with SAFs (see 3.4), and successful building of the Government's capacity to manage the privatisation of urban water (see 6.5).
- The EC has accompanied the Government's shift in its approach to poverty alleviation (see Box 4) by promoting a decentralised "bottom-up" strategy based on local development in the poorest municipalities and by increasing the share of its financial commitments targeted at poverty alleviation more than those targeted at all other objectives.
- At the same time, the EC support to poverty alleviation fuels the Government's decentralisation reform and contributes to strengthening the municipalities (see 5.3).

In the latter case, the EC has not only accompanied the Government's strategic change, it has also played a role of precursor and agent of change (see Box 13). This role departs from the mere "alignment on the Government's priorities" which was the judgement criterion initially agreed on. With the agreement of the steering group, the fact of putting new issues on the Government's agenda has been assessed positively.

Such a role has also been observed in several other instances like:

- The reform of the competition policy which has been revived under the auspices of the EC-supported EJADA programme, after having been clinically dead for several years (see Box 22).
- The legislative reform aiming to facilitate the use of treated waste water in the context of a systematic promotion of unconventional water resources (see 6.4).

3 Economic policy reforms (E)

To what extent has the EC contributed to the improvement of Jordan's macro-economic policies?

3.1 Approach to the question

A major part of EC financial assistance has been channelled through SAFs (Structural Adjustment Facility), and has been conditional, *inter alia*, to progress in achieving structural reforms. This is why this evaluation has looked into economic policy reforms.

The question mainly belongs to the family of effectiveness. Coherence is also at stake (between EC and other donors), as is EC value added (with respect to Member States and to multilateral institutions).

The judgement criteria are the following: economic policy reforms are passed and implemented with an aim to: (1) increasing tax revenue, (2) mastering public expenditures, and (3) changing the role of the State. These criteria refer to the economic challenges faced by Jordan at the beginning of the millennium, i.e. large budget deficit, unsustainable level of public sector consumption, and large State-owned loss-making companies. They also refer to the CSP which recognises the need to shift the role of Government from management to regulation of major commercial sectors²⁰.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support at promoting and facilitating policy reforms in the area of increasing revenue, mastering expenditures, and changing the role of the State.
- The EC has combined its efforts with those of EU Member States on these issues.
- The EU has achieved high-level dialogue with the Government on these issues.
- Thanks to policy dialogue with and technical assistance from development partners, the Government has passed and implemented major policy reforms aimed at increasing revenue, mastering expenditures, and changing the role of the State.

Data are first gathered and analysed at the level of EC cooperation as a whole and at the level of all Government policies. The specific contribution of the EC is further analysed through three policy reforms which are considered²¹ as having been very important for the country's macro-economic stability during the past ten years: increase in the VAT rate from 7% to 17%, privatisation of water in Greater Amman, and pension reform.

²⁰ Country Strategy Paper 2002-2006, p 22

²¹ Opinion of the Jordanian experts in the evaluation team, after discussion with the reference group.

3.2 EC activities considered

Overview

The EC views the achievement of a stable macro-economic framework and broad economic reforms as a prerequisite to ensure Jordan's long-term development perspectives in the region. It has mainly supported these reforms through Structural Adjustment Facilities (SAF).

The EC has provided Jordan with direct budgetary payments through three successive Structural Adjustment Facilities (SAFs): SAF I (EUR 50 million), SAF II (EUR 80 million), and SAF III (EUR 60 million in 2002). The disbursements were contingent on the implementation of successive programmes of reforms like restructuring state-owned companies, privatisations, and liberalisation of trade. The reforms were negotiated with the Government, and coordinated with the Bretton Woods institutions. The SAF I and II included pro-poor measures like the establishment of a social safety net²².

The same types of implementation modalities apply to more recent general budget support programmes, through which the EC promotes policy reforms in key areas of Jordan's agenda while maintaining and/or improving macroeconomic balances. The Emergency Budgetary Support in Jordan (Euro 35 million) aimed at helping the Kingdom cope with the economic impact of the war on Iraq. As regards the support to the Implementation of the National Agenda (EUR 20 million in 2006), a general condition for the disbursement of the funds is that the minutes of co-ordination meeting show that the public sector reforms are on schedule, and that there is a perspective for further implementation and financing of the associated costs.

Some sector budget support programmes also have macro-economic conditionalities. For instance, the Sector Reform Facility (Euro 40 million in 2005) is targeted at private sector development, in particular trade, transport and finance. In addition, the project documents set that the Government will maintain a viable public finance system (and provide yearly statements on this subject), a stable macroeconomic framework, and a sustained rhythm of implementation of structural reforms.

To a limited extent, the SAAP programme is supporting capacity building projects likely to entail macro economic benefits, e.g. strengthening of the Audit Bureau through a twinning arrangement, or technical assistance for the strengthening of the capital market institutions.

Analysis

Assumption: the EC has targeted a substantial part of its support to promoting and facilitating policy reforms in the areas of increasing revenue, mastering expenditures, and changing the role of the State.

Economic policy reforms have been stated as conditions in most of the SAFs and subsequent budget support programmes all over the period under evaluation. For instance, the SAF III included the following commitments:

²² "As a result of budgetary deficits, social expenditures are very low. Therefore for every tranche release the Jordanian Government is committed to a list of priority social investments" (Newsletter of the aid coordination, Ministry of Planning, 2000)

- To broaden the VAT base by covering exempt and zero-rated products, and to reduce the number of VAT non-filers to 10%
- To enrol all new military recruits in the civil service pension system, to establish a minimum retirement age, phased in over time in both military and civil systems, and to establish individual retirement accounts for new recruits

The EC has been consistently concerned with the implementation of the reforms. For instance, the disbursement of the second tranche of the SAF III (EUR 30 million) was delayed on the basis that a monitoring mission found (in 2003) that several conditionalities were not implemented as planned.

3.3 EU coordination

Overview

Among EU partners, only the EC has been involved in budget support. However, France, Germany and Italy have provided Jordan with balance of payment support. The main EU Member States which participated in the reorganisation of Jordan's debt (1997, 1999, and 2002) were Austria, Belgium, Denmark, France, Germany, Italy and the United Kingdom. Observers were representatives of Governments of Finland and Sweden.

The main EU Member States involved with technical assistance in economic policy reforms are Germany (e.g. introduction of performance based budgeting) and the UK (e.g. income tax reform, public sector reform).

Analysis

Assumption: the EC has joined its efforts to those of EU Member States in order to promote and facilitate policy reforms in the areas of increasing revenue, mastering expenditures, and changing the role of the State.

There are signs that the EC and Member States have joined their efforts, sometimes by chance, sometimes purposely:

- In 2002, the Delegation underlined that the implementation of the second SAF, of which an important objective was to introduce a broad VAT system, greatly benefited from being able to build on a UK-funded technical assistance project on VAT reform²³.
- In the area of privatization, a French company accepted a debt swap deal after information sharing between the EU and the French government.
- The German Government through the GTZ is working on how to improve budget performance in Jordan. The EU is closely arranging its activities with the team currently working at the MoF.

²³ Source: MEDA evaluation 2003, vol 1, p 47

- Over the last two years, the monthly EU coordination meetings have paid special interest with the SAAP where technical assistance and twining programmes are set up) and check that there is no duplication.

3.4 Dialogue with Government

Overview

Macroeconomic stabilisation has for long been recognised as a priority for Jordan, both by the Government and the donors community, in particular since 1989 when Jordan was unable to meet its external obligations. The country then embarked on broad-based economic reforms, which have been supported by successive programmes agreed with the IMF, the World Bank, the EC and bilateral donors. Support for macro-economic stability went along with five rescheduling arrangements for Jordan's external debt with the Paris Club between 1989 and 1999. Reforms focused on taxes, privatization of loss making public agencies, control of public deficits and public debt, but they have also extended to trade liberalization and investment promotion.

According to OECD-CRS (Creditor Report System) database, the only donors involved in Structural Adjustment and the subsequent general budget support are the US, Japan and the EC. The distribution of general budget support among donors is the following (in USD million):

Table 4 – Main budgetary support

| <i>Donor</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| Japan | 20,6 | 16,0 | 51,8 | 37,0 | |
| US | 50,0 | | 829,5 | | 188,0 |
| EC ²⁴ | | 56,5 | 39,5 | | |

Source OECD Creditor Report System – USD million

Throughout the period under investigation Jordan has been subject to a Stand By Arrangement (SBA) under which the IMF and the national authorities establish and monitor short term macro-economic objectives.

The IMF, the US and the EC supplied a coordinated technical assistance to the MoPIC and the MoF. Currently there is a Germany funded team working at the MoF in order to improve the budget performance. Under the AMIR programme, the USA assists in developing the capacity to assess the impact of governmental economic decisions.

Arab countries provide a budget support which is unconditional, but associated with capacity building efforts. For instance, the Arab Monetary Fund arranges regular workshops on economic modelling and forecasting covering wide range of issues.

²⁴ The amounts reported for the EC in 2002 and 2003 are assumed to correspond to respectively the SAF III and the Emergency Budget Support Programme

Analysis

Assumption: the EU has achieved to create a high level dialogue with the Government in order to promote and facilitate policy reforms in the areas of increasing revenue, mastering expenditures, and changing the role of the State.

As regards the macro-economic issues, the EU “recognised the IMF’s framework and geared its efforts at achieving the same goals” (Interview EC). For instance, the Government would send the IMF a letter stating its intent to undertake a given reform. Accordingly the IMF would produce a Country Revision Report with updated objectives of growth, debt, fiscal balance, etc. The EC would hence negotiate on new programmes with the Government of Jordan within the framework set by the IMF.

In the area of fiscal reform, there is a donor committee chaired by one of the Member State and meeting every 3 months. It includes UNDP, USA, EC, France, Germany, ... It is seen as satisfactory (“We have good coordination” - Interview EC).

For several years, the EC, the Member States and the Government have been conducting an economic dialogue having the same status as the sub-committees of the Association Agreement. This dialogue involves the MoPIC, which has the adequate capacity but is constrained by a “lack of time”. The dialogue is open and takes place “when we need it” rather than on a regular basis (Interview EC).

Over the last years there have been a few instances where all donors met together for sharing the roles and taking common positions, e.g. pension reform and funding the Social and Economic Transformation Program (SETP).

3.5 Policy reforms

Overview

Jordan has a long history of reforms aimed at macro-economic stabilisation. These reforms started in the late 80’s with a first cut into oil subsidies, and were continued since 1996 by the reduction of subsidies to bread, electricity and water, and privatisation which has been a key element of Jordan’s structural adjustment strategy. The following lines describe three policy reforms which have been considered as particularly significant in the course of this evaluation:

Value added tax (VAT)

A first step towards a VAT system was taken in 1994 with a 7% rate which rapidly increased to 10%. In January 2001 Jordan entered the second phase of its transformation to a value-added tax (VAT) regime. The VAT rate was increased to 13%, and about 25 new commodities were added to its coverage [E1]. The rate was again increased to 17% in 2003. Over the same time period, better tax compliance was also brought about by the unification of Sales Tax and Income Tax Departments.

This reform was very high on the Government’s agenda. It has contributed to a substantial increase in revenue over the period under evaluation, something which was needed to reduce the Government’s high dependence on non-tax revenues, and the diminution of

customs duties due to the fall in tariff rates. Tax revenues have increased from 10.4% of GDP in 2002 to 14.2% in 2006 [E2].

Box 7 – Improvements in macro-economic performance

This is the evaluation team's view²⁵ that the improvements of Jordan's macro-economic performances can be connected to the trend of economic policy reforms (to which the EC has contributed).

Some significant macro-economic performances are listed below:

- Jordan is on its way to mastering public debt. The public debt ratio was reduced from more than 210 % of GDP in 1990 to 72 % in 2006. The Government's external debt was reduced from 79% in 2002 to 49% in 2006.
- During the period 2002-2006, economic growth averaged 5.7% per annum, which compares with an average annual growth rate of less than 3% for the last five years of the 90's.
- However, the fiscal deficit excluding grants remained at around 10% of GDP between 2002 and 2005 (it was expected to decrease to around 7.5% for 2006).

Privatisation of water supply systems

An Executive Privatisation Unit (EPU) was established in 1996 and has proceeded with the sale of a number of state-owned companies like Jordan Telecom. Current schemes focus on the privatisation of the electricity sector, Amman airport, and Aqaba Railway Corporation.

The main water supply and sanitation networks have been privatised during the last years: Greater Amman in 1999, Aqaba in 2002 and the Northern Governorates in 2004 (see 6.5) [E1].

Pension reform

The pension reform was passed in 2002. By this time, the public pension payments accounted for 15% of Government expenditure and were increasing at 10% per year. The reform reduces the overall burden of the military and civil pensions systems which are progressively transferred to the social security [E1].

In line with the pension reform, the government held a tight control on budgetary spending. Public finance management has also been improved in terms of budget comprehensiveness.

²⁵ This view has not been subject to a systematic confirmatory analysis because the question E is about the improvement of Jordan's macro-economic policies, not about macro-economic performances.

The assessment is however mixed in terms of budget planning and formulation, budget execution (single treasury account in progress but problematic proper accounting) and accountability (satisfactory public fiscal data but no public external audit reports). In addition, the Gulf crisis however occasioned a surge in public spending from 34.5% of GDP in 2002 to 38% in 2003, but 33.6% in 2006.

Analysis

Assumption: Thanks to policy dialogue with and technical assistance from development partners, the Government has passed and implemented major policy reforms aimed at increasing revenue, mastering expenditures, and changing the role of the State.

The three reforms analysed in more depth were clearly meant to increase revenue (VAT), to master expenditures (pension reform), and to change the role of the State (privatisation of water). All have been part of the Government's commitments associated with the successive SAFs and other subsequent budget support programmes. They have been closely monitored by the EC (see 3.2).

In the case of the privatisation of water, the EC has made an additional contribution through a sustained and successful capacity building assistance which has enabled Jordanian authorities to manage the contracts with private sector operators (see 6.5).

Through its interviews, the evaluation team understands that EC cooperation and Government's reforms are progressing through a two-way process: "the EC and Jordan share a cooperation that is more partnership driven than condition driven"; "reform in Jordan is endogenous. All partners share the same views about fiscal management. Jordan is undertaking the reforms at its own pace. It could have been faster but things are being done" (Interviews EC).

Box 8 – Answer to the question E (Economic policy reforms)

The EC has constantly focused on the public sector reforms needed for achieving macro-economic stability. These reforms have been stated as conditionalities in the three successive SAFs and as the Government's commitments in the subsequent budget support programmes. They have been subject to systematic donor coordination and policy dialogue (see Volume 2, section 3).

In the case of the privatisation of water, the EC has made an additional contribution through sustained and successful capacity-building assistance which has enabled Jordanian authorities to manage the contracts with private-sector operators.

Through these various channels, the EC has been one among other contributors to a trend of economic policy reforms dating back to the late 1980s and aimed, *inter alia*, at reducing State subsidies, increasing tax revenues, and privatising loss-making State companies. These reforms have been passed and applied and they can be connected to improvements in the country's performance in areas like tax revenue, public debt, growth, income poverty.

Box 9 – Economic policy reforms (E) - main message and justification

The EC has been one among the contributors to a trend of beneficial economic policy reforms

Through a mix of budget support, policy dialogue and capacity-building, the EC has been one among other contributors to a trend of economic policy reforms dating back to the late 1980s and aimed, *inter alia*, at reducing State subsidies, increasing tax revenues, and privatising loss-making State companies. These reforms have actually been passed and applied. They can be connected to improvements in the country's performance in areas like tax revenue, public debt, growth, income poverty, etc

Justification

It was agreed that the improvement of macro-economic policies should be assessed positively if reforms have been passed and implemented with an aim to (1) increasing revenue, (2) mastering expenditures, and (3) changing the role of the State (see “judgement criteria” at the top of this section).

The conclusion is that a trend of such reforms was initiated in the late 1980s and consistently continued up to now. This conclusion is supported by the evaluation team's interviews and documentary analyses. It is further confirmed in the following three examples which have been analysed in more depth:

- VAT - The increase of the rate and coverage of VAT has been the main step taken by the Government to increase revenue. It was progressively implemented between 1995 and 2003. It was part of the Government's commitments associated with the successive EC-supported SAFs, especially the second SAF which was associated with intense capacity-building and policy dialogue on VAT (see 3.3).
- Pension reform - The 2002 pension reform is a major achievement in terms of mastering expenditures since the public sector pension schemes (army and civil servants) accounted for 15% of Government expenditure and were increasing by 10% yearly. Pensions are now progressively being transferred to the sustainable social security system. This important reform was a conditionality of the third SAF, and as such has been subject to thorough discussion between the EC and the Government in a context of multilateral donor coordination (see 3.3).
- Privatisation - Privatisation of the water supply and sanitation networks is part of a wider policy of selling loss-making state-owned activities, which has been a joint priority of the Government and the donor community since the 1989 financial crisis when the country was unable to meet its external obligations. The main water supply and sanitation networks have been privatised during the past few years: Greater Amman in 1999, Aqaba in 2002 and the Northern Governorates in 2004. This is a success story in the shift from poorly managed State-owned companies to a macro-management of the water sector. There is no evidence that the privatisation of water supply has been a hot issue in the policy dialogue, but the EC has made a fairly important contribution to building the management capacity of the Ministry of Water.

In the first two instances, the merits of the EC should not be overestimated since many partners contributed to macro economic assistance and promoted the same package of reforms. Moreover, the reforms were strongly backed by the Government, and some of them were initiated quite early (1994 for the VAT). This means that the donor community may have accelerated the reforms rather than initiated them.

It is the evaluation team's view²⁶ that the improvement of economic policies can be connected to improvements in the country's performance in areas like:

- Tax revenue - Tax revenue as a percentage of the GDP increased from 15.7% in 2001 to a level of 19.7% in 2005.
- Public debt - The public debt ratio was reduced from more than 210 % of GDP in 1990 to 83% in 2005, and is projected to drop further to 74% of GDP by end-2006.
- Growth - During the period 2000-2005, economic growth averaged 6% per annum, which compares with an average annual growth rate of less than 3% for the previous five-year period.

Income poverty - The national poverty line dropped from 21% to 14% of the population between 1997 and 2002.

²⁶ See Volume 2, Box 7 - This view has not been subject to a systematic confirmatory analysis because the question E is about the improvement of Jordan's macro-economic policies, not about macro-economic performances.

4 Free trade and exports (T)

To what extent has EC's support in the areas of trade and private sector development contributed to increase exports?

4.1 Approach to the question

The EU is Jordan's main trade partner. Trade liberalisation is part of the second objective of the Barcelona process. It is by far the main objective of the Association Agreement. It is the first objective in the CSP text, although it may not have the highest degree of priority. Trade liberalisation has been made a condition of budget support.

This question mainly belongs to the family of effectiveness. Coherence and complementarity are also at stake (between EC policies, and between the EC and other donors), as well as relevance (EC objectives as compared to the challenges faced by Jordan in the world market).

The judgement criteria are the following:

- Breakthrough in exports to EU
- Originating from Jordanian firms and from FDI's
- With sufficient domestic value added

The question initially referred to the "increase of exports to the EU". The term "breakthrough" was then introduced in the judgement criterion in light of Jordan's huge trade deficit with Europe.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support at creating an environment enabling Jordanian exports to grow
- The EC has combined its efforts with those of EU Member States in order to create a favourable environment for export-oriented enterprises, and to facilitate access to the EU market.
- The EU has achieved high-level dialogue with the Government about trade liberalisation and export-oriented business development.
- Thanks to policy dialogue with and technical assistance from development partners, the Government has progressed in trade liberalisation, regional integration, and improvement of the business environment.
- EC support to Jordanian enterprises led to a breakthrough in terms of exports to the EU, or at least to the likelihood that such a breakthrough would occur.

Data were first gathered and analysed at national level (EC cooperation as a whole, Government policies, trade statistics). The EC's specific contribution was further analysed through an inquiry into export-oriented SMEs having benefited from direct EC support.

4.2 EC activities considered

Overview

This section describes the actions taken by the EC in the framework of both trade and development policies. These actions are managed on three levels: global, regional and Jordan. There is one competent trade expert at the EC delegation, but the challenge is increasingly seen to be on technical barriers at the entry of the EU market, an area where the EC Delegation has a quite lower capacity.

Opening of the EU market

EU tariffs and quantitative restrictions have been considerably reduced during the last ten years as a result of the implementation of the WTO Agreements. The average tariff on non-agricultural products has decreased from 6% in 1995 to 4.1% in 2004 while for agricultural products, the average tariff decreased from 25% to 16.5% over the same period. Industrial products originating from Jordan are imported into the EU free of customs duties and charges. The EU has just removed the quota imposed on agricultural product. This measure became effective by 2005.

The Association Agreement foresees a widening of its scope to cover also the right of establishment and the liberalisation of services. Services and establishment negotiations with a first wave of interested Mediterranean countries will be launched in early 2006. Jordan is likely to be a member of the first group of countries to start negotiations. Furthermore, the agreement sets out provisions for liberalising public procurement and competition rules. It commits the Parties to provide an effective protection of intellectual, industrial and commercial property rights.

Regional integration

The EC took the initiative to promote South-South integration in order to increase the level of intra Mediterranean trade, and ultimately to respond to the deteriorating EU – Mediterranean trade deficit.

Following a joint declaration in 2001, Morocco, Tunisia, Egypt and Jordan signed a free trade agreement between in 2004, the Agadir Agreement. The process is strongly supported by the EC. Not all signatory countries have ratified the Agreement at the date of this evaluation.

A major expectation is that the common EU rules of origin will enable signatory countries “to manufacture jointly in what is called cumulation and then export the end product to the EU. This means that a manufacturer can use any raw material or component from the area in the manufacture of finished products, without running the risk of losing free trade status if it is exported within the area ... The agreement is not only about boosting trade between the four signatory countries, but more importantly about exporting to the EU”²⁷.

²⁷ Al-Ahram Weekly, 4-10 March 2004

Support to export-oriented SMEs

From 2000 to 2004, the EJADA programme provided advisory services to Jordanian enterprises with an aim to improve their competitiveness. The development of exports, including exports to the EU, was an expected side effect rather than the purpose of the project. A small component of the programme (EJEP) was more precisely targeted at supporting exports to the EU (see 8.2).

Support to overcoming technical barriers to trade

Over the last two years, the EC has launched a series of interventions aimed at matching the technical requirements applying on the EU market.

In 2005, several actions were launched within the SAAP II programme²⁸ in the area of standards, veterinary and phytosanitary controls, and food safety. The support to the Aqaba Economic Zone Authority also includes a component aimed at “meeting requirements for certification and accreditation to international standards”.

The EC is currently providing technical assistance to the Jordan Institute for Standards and Metrology (JISM) through a twinning program in order to draft a law on standards accreditation and conformity assessment, and to help Jordan sign an Agreement on Conformity Assessment and Accreditation (ACAA). Under such an agreement, products certified in Jordan will be accepted in the EU.

Analysis

Assumption: the EC has targeted a substantial part of its support at creating an environment enabling Jordanian exports to grow.

All four categories of interventions mentioned above had expected effects on Jordanian exports to the EU:

Tableau 1 - EC interventions targeted at exports

| | From | Policy | Exports to the EU = |
|----------------------------------|------|-------------|-----------------------------|
| Trade liberalisation | 1995 | Trade | Purpose |
| Regional integration | 2001 | Trade | One of the intended effects |
| Direct support to SMEs | 2000 | Development | Expected side effect |
| Support to exports | 2000 | Development | Purpose |
| Support in the area of standards | 2005 | Development | Purpose |

²⁸ SAAP I and II are the Support Programmes for the Implementation of the Association Agreement in Jordan. They aim at facilitating Jordan's implementation of its commitments under the EU-Jordan Association Agreement by providing technical assistance for key public administration in many areas.

4.3 EU coordination

Overview

Trade policy is managed at EU level and, therefore, intra-European coordination is not an issue in principle. In practice, there remain some country specific technical barriers to trade which would justify some coordination efforts²⁹.

Italy, Germany and the Netherlands run projects targeted at private sector development, business partnerships with the EU, and/or creating a business friendly environment.

EIB has mainly supported large investments (e.g. in the Potash sector), but a strategic priority is now put on the development of private sector economic activity and projects contributing to the creation of a favourable climate for private investment in the framework of the FEMIP (see 2.2).

Analysis

Assumption: the EC has joined its efforts to those of EU Member States and the EIB in order to create a conducting environment for export oriented enterprises, and to facilitate the access to the EU market.

The evaluation team has collected significant information supporting the above assumption, which has limited relevance in a context where the EC is responsible for the trade and where it has been the main European actor supporting export-oriented enterprises.

4.4 Dialogue with the Government

Overview

Trade related issues are discussed with the Government at three levels: annual meetings of the EU-Jordan Association Council (Ministry of Foreign Affairs), annual meetings of the Association Committee (MoPIC), and two-yearly meetings of the Trade Sub-Committee.

Private sector development has been extensively discussed between the EC and the Government in the framework of the transfer of EJADA activities into a sector budget support (see 8.3).

The main player in the area of trade and private sector development is USAID, especially because of the successful creation of the Qualified Industrial Zones (QIZ) in 1996. This system gives exporters duty- and quota- free access to the US market and allowed Jordan to benefit from a vigorous growth of textile and clothing exports to the US. The US supported AMIR programme has also played the main role in promoting a business friendly environment.

²⁹ This idea arises from the case of a Jordan enterprise exporting agrifood products and having to deal with specific Swedish standards (interview Government)

Analysis

Assumption: The EU has achieved to create a high level dialogue with the Government about trade liberalisation and export oriented business development.

Two Ministries are mainly involved in the policy dialogue: MoPIC and Ministry of Industry and Trade (MIT), the first having “a larger competency and a stronger capacity”, something which is considered as “quite unusual” (Interview EC). The MIT benefits from a capacity building project funded under SAAP I.

The interviews show a positive image of the dialogue: “The dialogue is quite efficient and constructive and takes place on a regular basis”. “Programming issues are discussed at medium-management level, normally in a constructive way”. “There is a good deal of information sharing”. The 2003 “deconcentration” reform is seen as having facilitated the dialogue. However there are expectations that the EU “helps more in the field of standards and access to the EU market” (cross-checked interviews EC / Government).

4.5 Policy reforms

Overview

Until the late 1980s, Jordan had a high and complex tariff structure, with a maximum tariff rate of 318% and an average weighted tariff rate of 19%. Widespread exemptions implied that 51% of all imports were exempted from import duty. In addition, about 40% of imports were subject to quantitative restrictions. The tariff structure was also characterized by a high degree of variation.

Trade liberalisation was initiated with the IMF in the 90s⁷. Since 2001, the Government has taken a number of major trade related measures. Currently, Jordan has a simple import tariff structure, with an average weighted import tariff rate of 13%, a maximum rate of 30%, and a standard deviation of 15.7%. Non-tariff barriers are limited to the exclusive trading rights for petroleum products, due to expire in 2008. Exemptions have also been reduced significantly with a small portion of imports now exempted from import duties. Trade liberalisation involved a reduction of customs revenue which had to be compensated by an increase in the VAT rate.

The Government is actively committed to regional integration (Agadir Declaration and Greater Arab Free Trade Agreement) and WTO negotiations. Jordan is about midway in the process of matching the requirement of the Association Agreement in 2014, but the second part of the way is likely to be the most difficult.

Major changes have been made with an aim to improve business environment, for instance:

- The creation of the successful QIZ (see 4.4)
- Privatization which is a major element in explaining the surge in FDI, for instance in the Telecom sector since 1998
- The strain of laws that have been passed in the last four years which (i) abolish remaining controls on the foreign ownership of property and land; (ii) strengthen the judiciary system and regulatory agencies; (iii) encourage and regulate leasing activities, electronic commerce, and e-government; (iv) streamline the efficiency of government agencies; and (v) strengthen companies' disclosure requirements.

- The Aqaba Special Economic Zone, aimed at providing a free-trade zone and a streamlined administration with significant tax and infrastructure incentives (2001)

Analysis

Assumption: thanks to policy dialogue with and technical assistance from development partners, the Government has progressed in trade liberalisation, regional integration, and the improvement of business environment.

The National Agenda incorporates the EC funded projects and the EU-Jordan commitments. “Since it is well known where the EC would contribute, its impact on policies is quite significant” (Interview Government).

However, “the USAID has greater direct influence in many laws and regulation like investment, intellectual property rights, standards and specifications, to name but few. An exception is the direct EC impact in the area of competition law.” (Interview Government).

4.6 Growth of exports

Overview

According to Eurostat, Jordan's exports to the EU grew by 30% in 2004 and 41% in the following year, amounting to EUR 375 million in 2005. Exports to the EU are well diversified and therefore likely to be resilient to risks [T2].

The figures provided by the Central Bank of Jordan tell a very different story³⁰. The exports to the EU amount to about Euro 85 million in 2005, i.e. four times less than what Eurostat figures show. Between 2000 and 2005, exports to the EU grew at a 20%/year pace. During the same years, the exports to US were multiplied by almost 20 times. Surprisingly, European countries which do not belong to the EU represent a growing share of Jordanian exports [T2].

Table 5 – Evolution of exports

| | Arab countries | U.S.A. | India | Europe | | China | Japan | Other | Total |
|----------------------|----------------|--------|-------|--------|-----|-------|-------|-------|--------------|
| | | | | Non EU | EU | | | | |
| 2000 | 431 | 45 | 172 | 5 | 35 | 33 | 9 | 349 | 1 081 |
| 2005 | 1 096 | 790 | 246 | 21 | 90 | 29 | 19 | 279 | 2 570 |
| Growth / year | 21% | 78% | 7% | 31% | 21% | -3% | 15% | -4% | 19% |

Source: Central Bank of Jordan, JOD million

The evaluation team has decided to take these comparative figures into consideration, even if trade statistics are not reliable in absolute terms.

³⁰ A Eurostat mission will take place in 2007 in order to understand and solve the problem, but the results were not be available at the time of the writing of this report.

Although it is not part of the agreed upon judgement criteria, it is worth mentioning the trade deficit between Jordan and EC, which is very large according to all sources.

Table 6 – Jordan’s trade with the EU

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|----------------------|--------|--------|--------|--------|--------|
| Exports | 54 | 50 | 67 | 72 | 90 |
| Imports | 1114 | 1064 | 1085 | 1363 | 1798 |
| Trade Balance | (1060) | (1014) | (1018) | (1291) | (1708) |

Source: Central Bank of Jordan, Monthly Statistical Bulletin JOD million

The Jordan's trade deficit with EU is partially compensated by a surplus in services, mainly remittances and tourism.

Analysis

Assumption: the EC support has enabled Jordanian enterprises to make breakthroughs in terms of access to the EU market.

The contribution of the EC can be analysed in three dimensions: (1) contribution through the reduction of tariffs and quotas, (2) contribution through the bettering of business environment, (3) contribution through strengthening SMEs.

Trade liberalisation

Interviewees assess this type of contribution as low: “The Association Agreement focuses on duty free access mainly, but the challenge is to match EU standards. So whatever is done with tariffs and quotas, it does not improve Jordan enterprises’ access to the EU market” (interview EC).

This point was already made in the MEDA I evaluation³¹ (2003) in the following terms: “Jordanian exports to the EU have always been very small despite the privileged access to the European markets given to industrial goods from Jordan under the Cooperation Agreement in place since 1977. From this point of view, the importance attached to the Association Agreement and its potential impact on Jordan’s exports might seem over-estimated without the promotion and further support to a more comprehensive and long-term development strategy. Jordan’s exports to Europe will not grow in the medium term and Jordan’s trade deficit with Europe will probably increase. Nobody has so far identified the potential “winning” sectors of trade openness in Jordan, despite large amount of money spent in trade strategy studies, identification of competitive clusters, etc. Thus, it is highly probable that these potentially competitive sectors in fact do not exist.”

Business environment

About the second type of contribution, the evaluation team considers that the role of the EC has been marginal in comparison with other internal and external actors, and especially with the USAID’s AMIR programme.

³¹ Jordan country report

Surprisingly, several interviewed SMEs consider that the business environment has worsened (see 8.4).

Strengthening SMEs

The main contribution is to be found in the EC support to exporting SMEs. The number of Jordan companies having benefited from EJADA is about 200, and the evaluation team considers that less than one third of Jordanian exporting SMEs would not have been reached by the EC support (experts' assessment).

Interviews in EC supported SMEs suggest that the EC funded support has been effective in strengthening their competitiveness (see 8.4) and breakthroughs have been achieved on some markets, but not on the EU market [T1]:

- “We have no exports to the EU market, we have no raw material to compete with, no added value to enter and export to the EU market we have no advantage to enter that market. On the other hand, we have exports to the American market.”
- “The company has no access to the EU market. None of the products manufactured in the company [...] is being exported to the EU market. The EU market is very hard to penetrate, with China and Japan's products in those markets, and the very high standards that the EU market puts on [our products]. On the other hand, the support received from JUMP helped the company increase the rate of exported products to the Arab Region to 10% with a significant cost reduction.”
- “We have left the EU market several years ago because we felt it was easier to export to the USA. This was a mistake because we will have huge difficulties in re-entering the EU”³².

Assistance to exports

According to the Ministry of Industry and Trade (interview) the EJEP component of EJADA had visible benefits in a few sectors such as fruits, marble and pharmacy, but the success stories are in small numbers. Jordanian companies still need to progress a lot, but technical barriers to trade are also a limiting factor. For instance, Jordan has faced difficulties with exporting luncheons as a result of difficulties to match EU standards, and potatoes because no national laboratory could carry out the test of the fungus disease. “The EU has not yet helped much in building the necessary capacity and some issues have been under discussion for now 3 years” (interview Government).

Support to overcoming technical barriers to trade

The EC is now assisting Jordan in the process of signing an Agreement on Conformity Assessment and Accreditation (ACAA). Under such an agreement, products certified in Jordan will be accepted in the EU.

It is however the understanding of the evaluation team that the process will be long and difficult. Not only the Jordanian legislation has to be changed, but a several institutions have to be created and made operational.

³² Quoted indirectly

Comparison with USAID's support

The ten year old Qualified Industrial Zones (QIZ) were an important factor in the growth of Jordan's exports during the evaluated period. The QIZ system involves a low request about domestic³³ value added (35%). It has been used by many Asian firms that invested in Jordan in order to turn the American textile quotas. Jordan's exports to the USA concentrate on textile and clothes (90%), which makes them vulnerable in case of significant progress in the WTO negotiations.

Box 10 – Answer to the question T (Free trade and exports)

The strategy behind the Association Agreement was focused on trade liberalisation, including the reduction of EU tariffs and quotas, complemented by support to export-oriented SMEs. The implicit assumption was that export-based growth would follow.

This strategy has been fully implemented over the last ten years. Jordanian industrial products have gained access to the EU market free of tariffs and quotas, and a critical mass of export-oriented SMEs has been supported. Finally, the Government has passed and implemented a number of reforms in order to create a business-friendly environment, mainly with the support of the USA.

Since 2001, the EC has actively promoted regional integration through the Agadir process, which is seen as another approach to boost Jordan's exports to the EU. The process is not yet advanced enough for assessing its impact.

The EC-supported SMEs have developed their awareness of international markets, their capacity to export, and their actual exports to Arab countries, the USA and other parts of the world. However, this evaluation confirms that the expected breakthrough in their exports to the EU did not occur, despite a few low-scale success stories (see sections 4.6 and 8.4).

The analysed documents show that the lesson was already known in 2003. In this context, the EC has recently refined its strategy by providing Jordanian enterprises with indirect assistance to match the technical requirements which constitute the main barriers preventing them from accessing the EU market.

The evaluation team considers that long and difficult steps have still to be taken before this third approach is able to generate the expected breakthrough in Jordanian exports to the EU.

³³ In the case of QIZs, "domestic" means Jordan + Israel

Box 11 – Free trade and exports (T) – main message and justification

No breakthrough in the exports to the EU

Although Jordanian exports to the EU are growing and well diversified, the EU market remains the third destination for Jordanian exports, and not the fastest-growing one. No breakthrough has been observed in the EC-supported SMEs and there are signs that such a breakthrough is not likely to occur.

Justification

The question was initially referred to as the “increase of exports to the EU” (see “judgement criteria” at the top of this section). The term “breakthrough” was then introduced in the judgement criterion in light of Jordan’s huge trade deficit with Europe.

The answer combines three series of elements derived from trade statistics, visits to supported SMEs, and previous evaluations.

There is a wide discrepancy between trade statistics provided by Eurostat and the Central Bank of Jordan (CBJ). Depending on the source, Jordanian exports to the EU have grown at an annual rate of 35% or 16% over the last two years. The first figure can be called a “breakthrough” whilst the second one is just “growth”. The evaluation team has been unable to select one of the figures against the other and has therefore reached no conclusion on this point (see Table 6).

According to the CBJ, the EU market is the fourth destination of Jordanian exports, far behind the Arab countries, the US, and India. The same source shows that exports to the EU have grown at a rate of 21% per year over the last five years, in comparison to 78% (USA), 21% (Arab countries), and 7% (India) (see 4.6). The evaluation team has decided to take these comparative figures into consideration, even though trade statistics are not reliable in absolute terms. Surprisingly, European countries which do not belong to the EU represent a growing share of Jordanian exports.

In comparison with Europe, there has been an obvious breakthrough in exports to the US. This is mainly owing to the success of the ten year-old Qualified Industrial Zones (QIZ), where enterprises are allowed to export to the US goods that include a low (35%) domestic³⁴ value added. It has been used by many Asian firms that invested in Jordan to circumvent US textile quotas. Jordan’s exports to the USA concentrate on textile and clothes (90%), which makes them vulnerable in the event of significant progress in WTO negotiations. In contrast, exports to the EU are well diversified and more sustainable.

³⁴ In the case of QIZs, “domestic” means Jordan + Israel.

Another approach to the issue of exports has been taken with the study of eight SMEs supported by EJADA and JUMP³⁵ (see 8.4). All interviewed managers said that the EC-funded support had been effective in strengthening their enterprise, and there have been several breakthroughs in the area of exports, but none in the EU market. Moreover, the interviewed managers were somewhat pessimistic about their capacity to access the EU market in a near future (see 4.6).

A converging view was stated in the Jordan country report of the MEDA I evaluation (2003): “Jordanian exports to the EU have always been very small despite the privileged access to European markets ... Jordan’s exports to Europe will not grow in the medium term ... Nobody has so far identified the potential ‘winning’ sectors of trade openness in Jordan, despite a large amount of money spent in trade strategy studies, identification of competitive clusters, etc.”.

EC supported assistance to exports has ended in some success stories in a few sectors such as fruits, marble and pharmaceuticals (interview with a Government official), but trade liberalisation alone is no longer seen as a driver to the growth of exports to the EU – as confirmed by an interview with a Delegation official: “whatever is done with tariffs and quotas, it does not improve Jordan enterprises’ access to the EU market” (see 4.6).

In 2004, the EC issued a working paper on “Conformity Assessment and Acceptance of Industrial Products” with an aim to progressively overcome the technical barriers to trade. It is currently assisting Jordan in the preparation of an Agreement on Conformity Assessment and Accreditation, which will allow products certified in Jordan to be accepted in the EU. The evaluation team considers that this process is unlikely to generate a breakthrough in the short term because the Jordanian legislation has to be changed, and several institutions have to be created and made operational (see 4.2).

Finally the EC is supporting regional integration, and especially the Agadir Agreement, signed in 2004 between Morocco, Tunisia, Egypt and Jordan. One of the intended effects is to enable Jordanian-based enterprises to benefit from the Pan-Euro-Med Rules of Origin, seen as a chance to develop exports to the EU. However, the process is not yet advanced enough for assessing its impact, or even its likely impact (see 4.2).

³⁵ Jordan Upgrading and Modernisation Programme

5 Poverty alleviation (P)

To what extent has EC support contributed to satisfy the needs of the poor and near poor?

5.1 Approach to the question

Poverty alleviation is a key objective in the CSP, to which a sector budget support programme is linked. Despite the improved economic performance, high unemployment, particularly among the young, and deep pockets of poverty persist.

This question mainly belongs to the family of effectiveness, but the EC interventions in the area are so recent that actual and likely effectiveness will be considered. Relevance is also an issue (alignment of EC objectives and the needs of the poor and the near-poor).

The judgement criteria are the following:

- The needs of the poor and near poor are identified and likely to be satisfied in terms of (1) employability and economic opportunities, (2) social security, (3) access to basic social services
- The poor and near poor have the capacity to express their needs (empowerment).

The terms “poor and near poor” need to be defined. Before poverty alleviation became a Government priority in 2002, the implicit view was that Jordan as a whole was poor. In 2004, the Jordan Poverty Alleviation Strategy identified three categories: “the poorest of the poor”, the “working poor” and the “near poor”³⁶. This categorisation recognises that poverty is dynamic in nature and that a large number of people who are not classified as “poor” are at risk of becoming so, hovering just above the poverty line.

In the same year a World Bank report disseminated the concept of “poverty pockets” which became the foundation of the Government’s policy targeted at poor municipalities³⁷. In the course of this evaluation, it was suggested to consider the poorest people in the poverty pockets. Adopting one or the other definition does not make much difference in the concerned groups³⁸, but the answer to the question is substantially affected (see Box 16). After having discussed the issue with the main stakeholders and the reference group, the evaluation team has decided to use both definitions.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support to poverty alleviation and more specifically to the employment of the poor and near poor

³⁶ The Jordan Human Development Report 2004 also distinguishes three levels of “poor” with the following three categories: poorest of the poor, coping poor and near poor.

³⁷ The population of the 18 poorest municipalities is about 400,000, i.e. about 7% of the whole country’s population.

³⁸ The evaluation team considers that most of the population of the poverty pockets is very poor.

- Together with concerned Members States, the EC has managed to create high-level dialogue with the Government on issues related to employment and poverty alleviation
- Thanks to dialogue with and assistance from its development partners, the Government has changed its approach to social policies with an aim to better address the challenges of the poor and near poor
- In the areas reached by the EC support, the poor and the near poor have been enabled to express their needs and their needs have been satisfied in terms of (1) employability and economic opportunities, (2) social security, and (3) access to basic social services.

Data are gathered and analysed at national level (EC cooperation as a whole, Government policies, data on poverty). The issue will be analysed in more depth through an investigation into two “pockets of poverty”.

5.2 EC activities considered

Overview³⁹

In the mid 90’s, the EC was considering poverty as a challenge for the country as a whole, to be addressed through social and economic development. Poverty became a specific issue in the context of SAFs with the concern that macro-economic stabilisation should not harm the most vulnerable categories of the population through the decrease of public sector jobs and the increase in the relative prices of basic goods and services. Therefore, the SAFs implemented before 2002 were associated with measures aiming to mitigate their negative social consequences⁴⁰. There were conditionalities related to social safety nets and fight against poverty (see 3.2).

The EC has also implemented a series of projects targeted at vulnerable social groups (see next table), e.g.

- Health Support Programme to Palestinian Refugees (1997 – EUR 1.9 million)
- Sustainable improvement of life conditions in the refugee camps in Jordan (2000 - EUR 1.9 million)
- Support targeted at marginalised children (2002 – EUR 0.7 million)

From 2002 it was perceived that poverty is a much broader and complex problem and addressing it in all its dimensions became a strategic priority for both the EC and the Government.

In 2004, the Government and the EC launched the EUR 30 million “Poverty Alleviation through Local Development” (PALD) programme, an innovative multi-dimensional approach to poverty reduction funded through a sector budget support modality. The

³⁹ In the inception report, it was planned to cover education programmes like Tempus or Euromedis, but the interviews carried out by the evaluation team show that the connection with poverty reduction is too loose.

⁴⁰ Nevertheless, the World Bank’s 4th Jordan Country Assistance Strategy recognises that the structural reforms over the last decade were “painful”.

programme is targeted at 18 municipalities (out of a total of 99 municipalities outside the greater Amman area) considered as the poorest in the country. Development Units within the Municipalities are meant to carry out participatory needs assessments, and to design local strategies, which are then supported through the programme.

In a near future, the ETE programme (Education and Training for Employment) will promote youth employment and it is supposed to be a major contribution to preventing and combating poverty. The preparatory meetings started by the end of 2006 and the strategy was not finalised by this time. This programme has therefore been excluded from this evaluation.

The issue of poverty has been handled at individual level in the Delegation rather than by a team. Due to the turn-over of the EC personnel and the absence of stable Jordanian counterparts there is limited institutional memory in this area.

Analysis

Assumption: the EC has targeted a substantial part of its support to poverty alleviation and more specifically to the employment of the poor and near poor.

In the mid 90's, the EC was considering poverty as a challenge for the country as a whole, to be addressed through social and economic development. Poverty has first been seen as a specific concern in the case of the negative side effects of the reforms needed for macro-economic stabilization. No specific financial support was allocated, except for vulnerable social groups.

Only since 2002 has poverty alleviation been given the status of a strategic priority deserving the allocation of substantial financial support. The main focus of the CSP was on tackling the unemployment problem. The issue of local poverty pockets has been raised afterwards, but it has been addressed quite rapidly. As a consequence, the first impacts of the PALD programme are already observable at the time of this evaluation, which is not yet the case with the employment oriented ETE programme.

The EC does not address the issue of wealth distribution.

5.3 EU coordination and dialogue with the Government

Overview

EU coordination

Spain has addressed the issue of poverty pockets (through a JOD 400,000 grant). Italy has a pro-poor local development project. France has a capacity building project in the area of employment policy.

Germany has been a forerunner in the area of poverty alleviation with several GTZ supported projects and programmes like:

- A project launched in 1995 with an aim to establish income-generating cooperatives involving women (phased out in 2006)

- The Social Productivity Programme launched in 1998, and then the Enhanced Productivity Programme launched in 2002, both addressing integrated and sustainable local development issues in poor areas
- The PAMD-Project started in 1999 with an aim to design local development plans in three poor municipalities through a participatory approach.

Through this ten year process, Germany has paved the way to a poverty alleviation strategy based on local development and a bottom up approach, which is exactly what the EC is now doing with the PALD programme at a much larger scale.

More than a mere transfer of responsibility from Germany to the EC, the PAMD/PALD story is a show case of clever coordination at EU level as explained in the following box.

Box 12 – A show case of EU level coordination

Through four distinct projects and programmes, Germany has promoted an approach mixing poverty alleviation, local development and participation. This pioneering process started in 1995, which means that a lot of experience had been accumulated when the Government and the EC established poverty alleviation as a top priority in 2002.

By this time, GTZ was running the PAMD project through which three poor municipalities were designing their local development plans in a participatory way. The process continued with the identification of actions to be launched in priority until these actions were ready to be submitted to donors.

When the EC and the Government started to design a sector budget support programme aimed at poverty alleviation, the PAMD served as a template. Although this had never been planned, the German project became a pilot for the EC programme.

Moreover, the EC decided that the priority actions prepared in the three PAMD supported municipalities should be funded under the PALD budget support programme. This was converted into a performance indicator and this has been monitored in a recent report⁴¹. This has been seen as a way to continue to learn from the pilot.

In February 2007, a workshop on local Development and Planning gathered the PAMD managers, the Jordanian Government, the World Bank and the EC.

Source: Evaluation team's interviews

Overall coordination

There are at least eight players in the area of poverty alleviation and/or local development. It is therefore “a great need to clarify the division of labour of international cooperation agencies, and this should be spelled out in a national local development”⁴².

⁴¹ Final Appraisal Report, Second Phase of the Monitoring Mission on Poverty Alleviation through Local Development in the Hashemite Kingdom of Jordan, January 2007, p27

⁴² Same source, p20

Japan and the World Bank are about to start cooperating on employability of the youth, as well as the EC.

Among the main players is the World Bank which, inter alia, framed the debate on poverty alleviation through its poverty assessments. The evaluation team understands that the key concept of “pocket of deep poverty” was first introduced in a World Bank report.

Government’s policy

In order to reduce poverty the National Agenda states that the following initiatives must be implemented:

- Restructure the National Aid Fund, create a National Council for Development & Poverty Alleviation, strengthen capacities of human resources to implement poverty alleviation programmes, and develop a clear understanding of poverty root causes and characteristics
- Develop a comprehensive national social policy with focus on social development and productivity enhancement.
- Upgrade social work skills of welfare workers, and provide assistance to the unemployed poor to integrate in the workforce.
- Expand village cluster programmes and services in rural areas, and increase penetration of microfinance services in poor communities

Since poverty concentrates in rural areas, and because poverty alleviation has been connected to local development, there is a challenge in building the capacity of local authorities and increasing their power. The issue has been on the agenda of the Government for a couple of years, and a new decentralisation law has just been passed at the date of this evaluation, with an aim to increase the autonomy and responsibilities of the municipalities.

Analysis

Assumption: Together with concerned Members States and other donors, the EC has achieved to create a high level dialogue with the Government on issues related to employment and poverty alleviation

Strategy making

Poverty alleviation was not yet quoted among the main priorities of the Government’s Social and Economic Transformation Plan which was announced in 2001 (see 2.4). One year later, it became a priority of the EC-Jordan. The evaluation team’s interpretation is that EC and the Government have mutually reinforced their willingness to prioritise poverty alleviation when they prepared the CSP. It must however be noted that nobody could ignore the issue of poverty at a time when the development community was stating the Millennium Goals. In many countries, the World Bank has played a leading role in this process. This is also the case in Jordan.

The EC responded to the Government’s strategic shift through two distinct policy dialogues on (1) education and training and (2) local development in poor municipalities.

Design of the sector budget support programme

In the second area, the EC has made a distinctive input into the design of the Government's approach, as explained in the next box:

Box 13 – A success story of policy dialogue

PALD is a sector budget support addressing poverty through the Government's policy. Through its dialogue, the EC contributed to shape this policy as shown by the following quote:

“Our approach to targeting poor municipalities was a centralised programme relying on the Ministries to reach local Governorates. While we were structuring our expenditures on this model, I had a visit from 6-7 European experts which changed my perspective” (interview Government).

An alternative scenario then came to the surface. The focus was shift on empowering municipalities and civil society at local level in order to better react to local poverty and unemployment challenges, and to achieve synergy and sustainability.

Transfer of the accumulated knowledge to the Government

According to the recent monitoring report, the knowledge and experience accumulated by GTZ in the pilot PAMD project “can be said with certainty [to have] provided a degree of guidance to the designers of the training programmes” which were the main first step of PALD.

In fact, GTZ submitted a proposal for taking over the training segment of the PALD programme, something which would have secured a full transfer of knowledge, but the proposal was not accepted by the MoMA.

5.4 Needs of the poor and near-poor

Overview

The evolution of poverty is assessed in a quite contrasted way in two documents based on data dating back from 2002 at the best. The next opportunity to update the analysis will be in mid 2007, at a time when this report will be finalised.

Poverty Assessment

According to the latest Poverty Assessment jointly prepared by the Government and the World Bank⁴³, income poverty has been diminishing by around a third from 1997 to 2002, with the national poverty line dropping from 21% to 14% of the population [P3].

Poverty concentrates in some rural areas where “pockets of deep poverty” remain. Urban poverty is also a concern in areas like Zarqa and Amman. Income poverty incidence is above 35% in 11 sub-districts out of 73, all in rural areas [P3].

⁴³ Based on the Household Income and Expenditure Survey (HIES) of 2002-2003

Unemployment has been hovering between 13 and 15 percent of the labour force in the last four years, around 12-13 percent for males and 20 percent for females. The proportion of unemployed is higher among the poor, but around three-fourths of the working-age poor are actually in active employment [P3].

Human Development Report

In its Jordan Human Development Report issued in 2004, the UNDP mentions “an increased hardship for the poorer and more marginalised sectors of the population ... The sudden removal of the fodder subsidy led the rural poor to shift away from livestock (e.g. a third less sheep nationally in the period 1995-2002). The move away from livestock also led to a reduction in the level of protein consumption among rural poor communities, impacting on nutrition and health. Rising costs of utility bills led poor households spending periods of time without electricity and facing hard choices whether to cut back on other expenditures such as food or education in order to meet increased bills. Rising fuel prices (diesel and gas) led to increasing indebtedness, especially in winter. The privatisation of state owned enterprises (e.g. in the cement industry) led to substantive lay-offs and to an abolishment or outsourcing of factory’s health facilities, pension schemes, security, transportation, education and training divisions”.

Analysis

Assumption: in the areas reached by the EC support, the poor and the near poor have been enabled to express their needs and their needs have been satisfied in terms of (1) employability and economic opportunities, (2) social security, and (3) access to basic social services.

Structural Adjustment Facilities

In the first part of the period under evaluation, the main channel for the EC to reach the poor and near poor was through the conditionalities attached to the SAFs in the area of social safety networks. The above quoted Human Development Report suggests that this approach has not matched the needs of the poor. The evaluation team has however not been able to cross-check this assessment.

PALD programme

Following the strategic shift towards poverty alleviation in 2002, the only channel through which the EC has reached the poor is the PALD programme⁴⁴. This is why the analysis concentrates on this intervention. The analysis is based on (1) the monitoring report issued in January 2007, and (2) the visits of the evaluation team in two municipalities targeted by PALD.

The PALD programme targeted the 3 municipalities covered by the pilot PAMD project, plus additional 18 municipalities which were selected in 2005. All municipalities were assessed as “pockets of deep poverty” on the basis of the Household Income and Expenditure Survey. The assessment of poverty at local level has not been updated since, but the view of the Jordanian experts of the evaluation team is that PALD continues to

⁴⁴ An other channel will soon be opened with the “Training For Employment” programme.

target the rural areas which are the most affected by poverty. This is fully confirmed in the two visited municipalities.

When the programme was launched, the three PAMD municipalities had already established their Local Development Units (LDU), designed their Local Development Strategy (LDS), and drafted their Local development Plans (LDP). Since 2005, LDUs have been established in 60 municipalities, including the 18 poor municipalities targeted by PALD. This has been achieved by the MoMA in the framework of its responsibility to implement the programme.

The selected municipalities are currently benefiting from a capacity building effort including a training programme on local development and poverty reduction, workshops at the Governorate level, and on-demand advice. It seems that the training programme is well designed from an academic perspective but that it is not geared towards enabling municipalities to develop LDS and LDPs in the practical sense.

By the end of 2006, none of the 18 selected municipalities had started setting up their LDS and LDPs, but some were about to do so.

Since the initiation of the support programme, selected municipalities have been allocated at least EUR 4 million, for poverty relevant projects including EUR 1.5 for the three pilot municipalities. These amounts were not yet been disbursed by the end of 2006. The share of investments in the budgets of the selected municipalities fell from 25 percent in 2005 to a projected 16 percent for 2006. Budgets remain heavily dominated by wage expenses, the proportion of which rose in 2006.

The overall picture is that implementation is more than one year beyond schedule, which is negatively assessed by the monitoring mission. The evaluation team acknowledges this assessment and should not interfere with the monitoring process. In the light of the evaluation question asked, a further analysis should focus on whether the needs of the poor are being voiced and satisfied through the current PALD process, leaving aside the issue of the rapidity of the process.

A first indication is given by the fact that LDU process has been extended to the whole country by the MoMA. Administrative staff and volunteers from all municipalities have received a basic training focused on local development rather than poverty. This is confirmed by the members of the monitoring mission who visited the 18 municipalities. All had benefited from the training programme. Only two of them (Al-Hashimiya and Mu'adh Bin Jabal) demonstrated significant efforts and/or achievements in assessing poverty at local level. In both cases, the training is quoted as having addressed poverty in a specific way.

A pro-poor dimension in the training is quoted in none of the 16 other municipalities. Two of them were in the process of collecting data related to the basic local development problems with no specific focus on poverty. The remaining municipalities (14) had not yet started any kind of local poverty assessment, although in 6 cases, information about poverty is said to be available, most often from local NGOs.

The evaluation team's visit to Ma'an reinforces the picture: after having benefited from the training, a group of LDU members (doctors and engineers with international connections) started to promote a project aimed at accommodating students of the newly created university, i.e. clearly a local development project with no pro-poor dimension.

This picture is contrasted with that of the pilot project, which had a very clear pro-poor dimension as can be seen from the evaluation team's visit to Shuala (see Box 14).

Box 14 – Shuala : a success story of pro-poor local development

Shuala is located in the North of Jordan. It is known throughout Jordan for the quality of its olives and the quality of the olive oil extracted from its olives. This is one of the 3 municipalities selected under GTZ's PAMD project.

Two villages (Samar and Saham with total population of 11,000) were first identified as the poorest part of the municipality.

The objective of the LDU is to develop an economic plan for Shuala to alleviate poverty and create economic activity and employment.

A group of 22 volunteers (municipal officers, NGOs, students) attended a training programme focused on poverty monitoring and local development. Then a Local Development Unit (LDU) was created with municipal officers and local societies. The group is chaired by a woman belonging to the local branch of the Jordanian Women Union [P2].

The LDU realised a survey and a workshop about local community development. On this basis, it drafted an Economic Development Plan for Shuala. The plan was finalised with the participation of various stakeholders and decision-makers in the community, including tribal leaders [P2].

In the course of this process, 19 projects were suggested and subject to a feasibility study. Four had a good economic feasibility and 2 were prioritised: a tourist park and an environmentally friendly olive oil press. The later was eventually chosen for implementation and a partner from the private sector was identified. It was agreed that the municipality would fund 49 % of the project. This is the core project of the development plan. It is intended to create 27 full time jobs, and to hire 40 extra employees at the high seasons. Employees will benefit from social security as per the Jordanian labour law [P2]. Farmers will get larger market opportunities. The by products of the press will be used for fuel for use by the press and by the community.

The LDU survey also ended into an agreement with the Vocational Training Institute and some private sector companies that the semi-skilled poor from Sama and Saham who are employed were to be further trained with a municipal financial support [P2].

An extra support was planned in order to promote the extraction of aromatic oils from herbs grown by women in Sama and Saham [P2].

By the end of 2006, the Local Development Plan was ready for implementation and the EC support was allocated through the PALD programme. The rules applying to private-public partnerships were still not clear enough for allowing an immediate start.

Source: visit, interviews and documents

Box 15 – Answer to the question P (Poverty alleviation)

In pursuing macro-economic stabilisation, the Government and the donor community have considered the risk of vulnerable categories of the population suffering from negative side effects. As regards the EC, the SAF I and II included pro-poor conditionalities like the establishment of a social safety net. In its Human Development Report issued in 2004, the United Nations Development Programme (UNDP) assesses that the macro-economic stabilisation resulted in increased hardship for the poorer and more marginalised sectors of the population. The poverty assessments show however that income poverty diminished significantly between 1997 and 2002.

In 2002, the issue of the Jordanian poor was given the status of a strategic priority deserving the allocation of specific financial support. The EC responded to this strategic shift in two distinct ways: (1) education and training with an aim to prevent and reduce unemployment, and (2) local development in poor municipalities. Only the second type of support had reached the poor at the time of this evaluation.

In 2004, a World Bank report disseminated the concept of “poverty pockets” which became the foundation of the Government’s policy targeted at poor municipalities. The EC has made a distinctive input into the design of this new approach through an effective policy dialogue.

From 2000 to 2006, a pilot project was successfully implemented in 3 poor municipalities, first by GTZ, and then through smooth EC-Germany coordinated support. In this framework, the poorest among the poor were given a chance to express their needs. Pro-poor local development strategies were designed, and have been allocated sufficient resources.

Through an EC sector budget support programme, the Government is currently extending the pilot to 18 other municipalities, among the poorest in the country. Information available to the evaluation team shows that local economic development is gaining momentum in the targeted poor areas, which is a success. However, there are signs that the focus on the poorest among the poor is being lost in the transition from the pilot project to the EC-supported sector programme.

Box 16 – Poverty alleviation (P) - main message and justification

Joint policy development process is effective in the area of poverty alleviation

Through an effective policy dialogue, smoothly coordinated EC-Germany support, and a rapid transfer of responsibility to the Government, the EC has successfully contributed to empowering the poorest municipalities and to strengthening their economic development capacity. Although there are implementation delays, this approach is addressing the needs of the so-called “poverty pockets”, which are a major poverty challenge in Jordan.

Justification

The empowerment of the poor and the satisfaction of their needs (economic opportunities, social security, and basic services) are the judgement criteria associated with this question (see 5.1).

The EC has been instrumental in the formulation of the bottom up approach to poverty alleviation which has been adopted by the Government (see Box 13). This has been achieved through an effective policy dialogue and the rapid initiation of a sector budget support programme called Poverty Alleviation through Local Development (PALD) (see 5.2).

The adopted bottom-up approach focuses on the so-called “poverty pockets” by supporting economic development in the country’s poorest municipalities. Poor municipalities are pushed to identifying, voicing and addressing their needs through their own local development strategy.

It must be stressed that local authorities have been weak in Jordan until now and very much involved in a top-down relationship with the Government. The bottom-up approach is associated with a decentralisation reform, which represents a considerable change in the country’s governance⁴⁵.

Germany has paved the way for the EC’s contribution. This has been done through a series of GTZ-supported projects which combined local development, participatory approaches, and poverty alleviation. The PAMD⁴⁶ project initiated in 1999, in particular, served as a pilot for the EC-supported PALD programme. Moreover, the local development projects identified through PAMD were eventually funded through the EC-funded PALD programme, which is a showcase of smooth EU-level coordination (see Box 12).

⁴⁵ This is probably one of the reasons why the PALD programme is more than one year behind schedule.

⁴⁶ Poverty Alleviation through Municipal Development

The three PAMD-supported municipalities were among the poorest in the country and the pilot project had a clear pro-poor dimension. This can be seen from the evaluation team's visit to Shuala, one of the three supported municipalities. The needs of the poor were given particular attention through a participatory approach focused on poverty assessment and monitoring. Three of the projects identified in the local development strategy have a pro-poor dimension: an olive oil factory expected to create jobs and income opportunities for farmers, an agreement with the Vocational Training Institute and private sector companies for training semi-skilled poor, and support to the extraction of aromatic oils from herbs grown by women. Resources have been secured for all the pro-poor projects, including through the EC-supported PALD programme (see Box 14).

In the move from the pilot PAMD project to the current PALD programme, the same approach has been maintained in terms of empowering poor municipalities. The 18 selected municipalities are currently benefiting from a capacity-building effort, workshops at the Governorate level, and on-demand advice. Administrative staff and volunteers from these municipalities have received basic training in local development and poverty reduction. By the end of 2006, a few municipalities had started setting up their local development plan. The overall picture is therefore that implementation is more than one year behind schedule, but that the expected impacts remain likely to be achieved as regards the empowerment of poor municipalities and the satisfaction of their needs. In so far as the poor are defined as the poorest municipalities in the country, the EC's contribution is therefore to be assessed positively.

The focus on the poorest among the poor is however likely to get lost in the move from PAMD to PALD. This finding is supported by the fact that only 2 of the 18 municipalities supported by PALD have demonstrated significant efforts in assessing and monitoring poverty at local level, although all have started to reflect on the challenges facing them. This is confirmed by the evaluation team's visit to Ma'an, where the selected project consists in providing accommodation to the students of the newly created University, a project which is likely to contribute to local development in a poverty pocket, but which is clearly not "pro-poor" (see section 5.4). In so far as the poor are defined as the poorest in the poor municipalities, the EC's contribution is therefore to be assessed negatively.

6 Water resources management (W)

To what extent has the EC contributed to enable all actors in the water sector to manage the resources sustainably?

6.1 Approach to the question

Water is a high-ranking objective in the CSP and a major challenge for the country. Several programmes /projects have been implemented in this area, and the privatisation of the urban water supply was part of the conditionalities of the SAFs.

Through this question, the evaluation team assesses the effectiveness of the EC support and the sustainability of achieved effects. Unintended impacts are also considered, especially as perceived from the standpoint of the poor and near-poor.

The judgement criteria are the following:

- Financial sustainability and technical capacity of the institutions and organisations involved in the management of water resources
- Capacity of all actors to collectively adopt a forward-looking approach to water challenges
- Capacity of the actors to collectively deal with conflicts over the use of water, and to prevent under-optimal use of water resource.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support to enabling Jordanian actors to manage the water resources sustainably
- The EU has effectively contributed to multilateral donor coordination, and achieved high-level dialogue with the Government in the area of sustainable water resource management
- Thanks to dialogue with and assistance from the development partners, the Government has passed and implemented major reforms in the water sector with an aim to manage scarce resources more sustainably
- In the areas reached by EC support, the institutions and organisations involved in the management of water resources have strengthened their capacity, adopted a forward-looking approach to addressing long-term challenges, and developed a capacity to deal with conflicts over the use of water.

Data were first gathered and analysed at national level (statistics, context indicators, performance indicators, Government policy, EC strategy). The specific contribution of the EC was further analysed through an in-depth investigation into three issues which the evaluation team considered to be very significant in terms of water resource management: the on-going privatisation of water in the North-West governorates, the promotion of the agricultural use of treated waste water, and the issue of pricing irrigation water.

6.2 EC activities considered

Overview

In pursuing macro-economic stabilisation, the SAFs included conditionalities related to the privatisation of water supply (see 3.2).

As seen in the Appendix 2, the EC has implemented a series of projects in the water sector, the main ones being displayed in the following figure

Table 7 – Main EC actions in the water sector

| | Allocated (total) | Coverage | Contracted (Jordan) | Disbursed (Jordan) | Date start | Date end | Funding modality |
|--|-------------------|----------|---------------------|--------------------|------------|-----------|------------------|
| Water Sector Intervention in the Jordan valley (grant + loan) | 13.7 | Jordan | 13.6 | 13.6 | 1994 | 2006 | Project |
| Programme Management Unit of the Greater Amman Water Sector | 7.0 | Jordan | 6.4 | 5.5 | 2000 | 2006 | Project |
| Al Meyyah - Supporting Management of water resources in Jordan | 5.0 | Jordan | 5.0 | 0.6 | 2006 | 2009 | Project |
| Regional programmes | 48.3 | regional | ? | ? | 2003-2005 | 2007-2008 | Project |

Source: inventory (see Volume 3). Million EUR

In the first part of the period under evaluation, the EC support focused on small infrastructure investments in three municipalities of the Jordan valley (Karak, Tafilah and Kufranje), including an effluent reuse project.

The EC then turned to supporting the management of the water sector rather than infrastructure investments. The new approach was initiated in 2000 with a capacity building project called Programme Management Unit of the Greater Amman Water Sector. This project aimed to coordinate and monitor the ambitious water investment programme of Greater Amman as well as the management contract to provide water and wastewater services in the capital city. It constituted a groundbreaking initiative to promote innovative approaches to water issues and sustainable private–public partnerships in the sector.

The EC support has been extended until 2009 through the “Al Meyyah” project which cover all private sector participation in the Kingdom. The purpose is to build the capacity of the Programme Management Unit (PMU) within the Ministry of Water and Irrigation and the Water Authority. The overall objective is now to transform the current structure of the water services into a service industry that, in the long-run, provides these vital services in a sustainable, cost-efficient, and socially responsive manner.

In addition, several regional projects under the MEDA water programme⁴⁷ are active in Jordan. These include:

- ADIRA - autonomous desalination system concepts for sea water and brackish water in rural areas with renewable energies - potentials, technologies, field experience, socio-technical and socio-economic impacts (www.adira.info)
- EMWater - efficient management of wastewater, its treatment and re-use in the mediterranean countries⁴⁸ (www.emwater.org)
- EMPOWERS - euro-med participatory water resources scenarios (www.empowers.info)
- MEDWA - stakeholder participatory sustainable water management at farm level (www.medwa.org)
- IrWa - improvement of irrigation water management in Lebanon and Jordan (www.irwaproject.com)
- Medaware - development of tools and guidelines for the promotion of the sustainable urban wastewater treatment and reuse in the agricultural production in the Mediterranean countries (www.uest.gr/medaware)

Jordan is also part in several regional projects related to the conflicting issue of cross border water resources.

Analysis

Assumption: The EC has targeted a substantial part of its support to enabling Jordanian actors to manage the water resources sustainably

During the period under evaluation, the EC has mainly focused on the transformation the water sector into a cost-efficient and socially responsive service industry. This has been done through a mix of capacity building and conditionalities attached to SAFs. The EC's cooperation has been established in a long term perspective and covers a ten-year period.

Periodically, some attempts have been made at addressing the conflicting issue of cross-border water resources in the Jordan Valley. For instance, a Storage System Project was launched in 1995 and involved Jordan and Israel. It was part of a series of "Peace Treaty Projects". The project had to be stopped after two years and the funds were reallocated to Jordan water projects. Another cross-border project is currently in progress⁴⁹.

More recently, the EC has used its regional programmes for promoting unconventional water resources. This is, however, done through short-duration projects, which cannot be fully qualified as a substantial effort. The coordination between these programmes and the

⁴⁷ <http://www.emwis.org/MEDA/projects.htm>

⁴⁸ For instance, Jordan is the main beneficiary partner of a major regional project called EMWATER which focuses on the treatment and agricultural reuse of waste water. The project started in 2003 and will be finalised in 2007. It has trained more than 900 persons at regional level.

⁴⁹ "Water Data Bank", a project which aims at sharing information between Israel, Jordan, and the Palestinian Authority.

EC strategy in Jordan has been difficult and only informal. The projects operate according to their own logic and interact with national bodies to a greater or lesser extent according to their own needs and implementation arrangements. A regional management support unit was only set up in 2005, several years after the projects started.

6.3 EU coordination

As regards Member States, France, Italy and Germany are active partners in the water sector (see Table 3). GTZ's website identifies water as its main thematic area in Jordan, with the following areas of main focus: (1) structural reform and private sector participation, (2) unconventional water resources, (3) integrated information management

Assumption: The EC has joined its efforts to those of EU Member States in the area of water resource management

There are EU specific coordination arrangements on water on the regional level⁵⁰. As regards Jordan, water issues are discussed within the monthly EUDCG meetings, together with other issues.

6.4 Dialogue with Government and other partners

Overview

USA is the largest financier for the water sector in Jordan. USAID is currently supporting the building of a large raw water treatment plant (Zara Ma'in) near the Dead Sea with a capacity of 55 million cubic meters per year and a 1000 mm main pipeline with approximate 47 km length to Amman City. In the same manner, USAID is involved in constructing infrastructure for the sanitation facilities all over the country. The World Bank is involved in financing parts of the rehabilitation of Greater Amman water system, and other infrastructure projects.

Germany heads a donor coordination group in which the EC, the USA, Japan and France are involved.

Analysis

Assumption: The EU has effectively contributed to multilateral donor coordination, and achieved to create a high level dialogue with the Government in the area of sustainable water resource management

Donor coordination

Interviewees recognise the role of the EC in the dialogue with the Government: "We do meet periodically at the water sub group in the monthly donor meeting. The purpose of such a meeting is to exchange information and to provide an opportunity to strategize meeting follow up. In the water sub group, there are other sub groups such as ground water, waste water treatment, and we meet more frequently and less formally. It is effective in terms of cooperation, defining strategy, but that is one and only forum. The EC has

⁵⁰ Annual Intermediate Progress Report, EMWATER project,

suggested that the Ministry of Water play a more active role in water coordination mechanisms” (interview other donors).

Concerns have been expressed about the effectiveness of coordination arrangements. For example, several donors (GTZ and USAID notably) are creating geographic information systems (GIS), but this is seldom integrated into existing planning structures.

Dialogue with the Government

Dialogue with the Government was established through bi-lateral implementation arrangements technical level rather than at policy-making level. This has been repeatedly stated in the interviews:

- “a good dialogue was established in a project steering committee meeting on a monthly basis”; “the dialogue took place with the technical staff and dealt with the implementation activities in the field”; “the continuation of the PMU project which was renamed as Al Meyyah and will last until 31/12/2009 is a fruitful result of the dialogue between the Ministry of Water and Irrigation and the Delegation. The new project will work on finding a legal regulator for the sector of water and sanitation in Jordan. Also there will be more focus on the reuse of treated wastewater in the different sectors” (interviews Government). Through the Al Meyyah project, the EC assists in developing a standard approach to assessing the performance of private sector water services, with potential application in the Greater Amman and Northern Governorates.
- “the PMU programme with the Ministry of Water and Irrigation didn’t achieve its objective of building a high level dialogue”; “the MEDA Water programme could not establish a platform of dialogue with the Government”; “our objectives are not fully coherent with that of the Government in the area of sustainable water resource management”; “the Government is still relying on mega scale projects rather than focusing on the improvement of existing infrastructure and waste water reuse”; “managing the Jordan River is one of the hot issues that needs to be better prioritised in the Government water agenda” (Interviews Government and Delegation).

6.5 Sustainable management

Overview

Management of urban water

A majority of the urban population is now served by private sector firms under contract of water management agencies [W1]:

- The Greater Amman water supply and sanitation was privatised in 1999 and the operations were contracted to a French company (CLEMA).
- The Aqaba Water Company was created in 2002
- Water supply and sanitation in the Northern Governorates have been contracted to a UK company (Severn Trents) in 2006.

According to GTZ, the achievements of the management reform in Amman “became apparent after five years”⁵¹. Until very recently, about 25% of the water entering the city's distribution system was lost by leakage and these leakages have been reduced by roughly 1/3⁵². Over the last years, the unaccounted-for-water dropped from 55% to 45%, the net revenues from water consumption increased by 50%, the number of customers increased by 30%, and the staff declined by 25%⁵³.

The Northern Governorates Water Administration (NGWA) can be considered as the best performing utility. It has managed to reduce its operational deficit by more than 30% within just four years⁵⁴.

Overall management of demand and resources

Sustainability remains a problem because the fast growing needs and the tightly constrained resources, as seen in the following table:

Table 8 - Water resource deficit

| <i>Year</i> | <i>Population</i> | <i>Water demand</i> | | | <i>Water supply</i> | <i>Deficit</i> |
|-------------|-------------------|---------------------|-----------------------------|---------------------|---------------------|----------------|
| | | <i>Total</i> | <i>Urban and industrial</i> | <i>Agricultural</i> | | |
| 1998 | 4.8 | 1264 | 342 | 922 | 835 | 429 |
| 2005 | 6.0 | 1443 | 462 | 981 | 1086 | 357 |

Population in million inhabitants, Water in MCM (million cubic meters)

The deficit is likely to grow in the next years for the following reasons:

- The population is projected to continue to grow rapidly, almost doubling between 1998 and 2020, and municipal water demand will increase roughly in proportion to population growth
- Industrial water demand will grow faster than the population, but remain the smallest component of total water demand
- Agriculture continues to account for the greatest share of total demand, but grows little in absolute terms. Its relative share is projected to decrease from 73% of total demand in 1998 to 55% in 2020.

The current afflux of Iraqi refugees and the fast growing population of Amman is an additional matter of concern in this respect.

⁵¹ http://www2.gtz.de/dokumente/bib/06-0644_I.pdf

⁵² Quoted by UNDP (http://www.youthxchange.net/main/ff2b215_drinkingwater-e.asp) from the private sector “Water Technology” portal (http://www.water-technology.net/projects/greater_amman/).

⁵³ Jordan Times Thursday, December 29, 2005

⁵⁴ http://www2.gtz.de/dokumente/bib/06-0644_I.pdf

Jordanian authorities hope to reduce the serious stresses anticipated through a strategy of water demand management. New thinking and possibly new incentives in future contracts may be required to induce the private sector to achieve a more effective management of the municipal and urban demand.

Agriculture consumes around 70% of the available water resources in Jordan (about 750 MCM/year)⁵⁵ whilst water shortages are a blocking factor for the main part of the population and economy. Most of irrigation water is used in the Jordan valley, which is considered as a natural green house during the winter season. Its products (vegetables, orchids, fruits) are exported to many Arab and European countries. Farms are small to medium and hire around 80,000 – 90,000 workers.

The Government has no policy related to charging farmers for the use of water, but it has developed a proactive policy in favour of agricultural use of treated waste water. At present, about 8% of irrigation water (95 MCM/Y) originates from that “unconventional” resource. This proportion has grown fast and is likely to increase steadily within the next years.

Management of cross border resources

The Government signed in 1986 a water utilization agreement with Syria to develop the Yarmouk River through building the Unity Dam, which is almost completed.

Another cross border issue is the Dizi Aquifer, a fossil water resource which is shared by Jordan and Saudi Arabia. There is no formal and regular dialogue about the use of this resource which cannot be said to be managed sustainably.

As regards the Jordan valley, the peace treaty with Israel entailed an agreement on water which is considered as the platform for on going or future dialogue, but which has not led to any significant progress towards sustainable management because of the regional conflicts.

Analysis

Assumption: In the areas reached by the EC support, the institutions and organisations involved in the management of water resources have strengthened their capacity, adopted a forward looking approach to addressing long term challenges, and developed a capacity to deal with conflicts in the use of water.

Management of urban water

The Ministry of Water and Irrigation and the Managing Agencies have considerably improved their technical capacity. For instance, the EC supported PMU has supervised the overall implementation of about 15 water network rehabilitation projects in the Greater Amman (projects funded by Germany, Italy and USAID) [W1].

The privatisation process in the Northern Governorates has been totally “cooked” in the Ministry of Water (Interview Government), and the contract is now under the responsibility of the Northern Governorate Water Administration (NGWA). Nine of the

⁵⁵ And contributes with around 9% of the GDP

18 members of the NGWA's board of director have been involved with the programme through which the EC has contributed to build the capacity of the PMU [W1].

Moreover, the EC assists in developing a standard approach to assessing the performance of private sector water services. This approach has been used in the privatisation of the water network of the Northern Governorates [W2].

Overall management of demand and resources

Through its capacity building programme on the level of Jordan, the EC has initiated and supported the redrafting of the law which regulates the reuse of waste water, and which has been passed recently [W3]. It has also initiated a pilot project aimed at developing the reuse of treated waste water originating from small cities.

The regional programmes are also said to have played a pioneering role in the area of waste water reuse, e.g. “the EMWater project worked remarkably on building the capacities in the field of wastewater treatment and reuse. That was directed towards governmental and non governmental institutions” (Interview EC).

Non conventional resources like treated waste water cannot be more than a small part of the solution of the water deficit. Water demand management remains a challenge, and especially the issue of the price of irrigation water, and the price of urban and industrial water to a lesser extent. This is a politically difficult issue since a large area in the country depends upon the unsustainable use of irrigation water. The EC has addressed this issue in its policy dialogue, but with no outcome [W3].

In this instance, an alternative to policy dialogue could have consisted of promoting initiatives in the civil society and in the expert networks⁵⁶. The interviews show that several other donors have made indirect attempts at unblocking the problem: “We could not tackle the issue of irrigation water tariffs. But we dealt with it indirectly through working with MoW on preparing a law for regulating groundwater”; “We are working on advocating eco-tourism since water used for this purpose provides a higher return on investment” (interviews other donors).

⁵⁶ For instance, the Water Efficiency and Public Information for Action Programme (WEPIA), funded by USAID, supported a curriculum that has been inserted into Jordanian classroom textbooks from grades 1 through 11. The WEPIA programme also helped establish a Masters Degree programme at Jordan University for Science and Technology. Public education on water issues is ongoing along with journalist training sessions. A “model” community was rehabilitated to demonstrate water and associated energy conservation (<http://www.usaidjordan.org/sectors.cfm?inSector=16>).

Box 17 – Answer to the question W (Water resource management)

During the period under evaluation, the EC consistently focused on the transformation of the water sector into a cost-efficient system. Overall, EC support applies to policy-making, capacity-building, reforms, and forward thinking (software), rather than subsidising investments (hardware).

The EC has been the main contributor to building the capacity of Jordan (Ministry of Water and Irrigation and public agencies) to manage urban water networks. Jordanian authorities have recently demonstrated their capacity to manage complex privatisation processes and rehabilitation works in the area of urban and industrial water, with a view to reducing unaccounted-for utilisation and leakages. This is a major contribution to changing the role of the State (see Box 9).

Moreover, the EC has played a pioneering role in contributing to a forward-looking policy reform targeted at waste water reuse. This has been achieved by combining policy dialogue and capacity-building, and by the involvement of Jordanian experts and policy-makers in regional projects like EMWater. Partly due to EC support, the issue of unconventional resources is gaining momentum, which is a major step towards a forward-looking approach to water resource management (see 6.4).

These positive achievements are however limited in comparison with the challenges faced by water management in Jordan, where several threats to sustainability remain unaddressed. For instance, the politically sensitive issue of water tariffs (urban and agricultural) has been periodically subject to policy dialogue with no outcome. Interviews show that some other donors have pushed the issue in civil society and in expert networks, an approach which has not been identified in EC practices (see 6.5).

Box 18 – Water resource management (W) - main message and justification

The EC has played a pioneering and successful role in promoting sustainable water management

The EC has been the main contributor to building the capacity of Jordan (Ministry of Water and Irrigation and public agencies) to manage urban water networks. Jordanian authorities have recently demonstrated their capacity to manage complex privatisation processes and rehabilitation works in the area of urban and industrial water, with a view to reducing unaccounted-for utilisation and leakages. Moreover, a regional project (EMWater) and an effective policy dialogue have contributed to building the public/private sector capacity to promote the re-use of treated waste water.

Justification

This message refers to the judgement criteria mentioned at the top of this section, i.e. Jordanian institutions' capacity to manage the water sector, to adopt a forward-looking approach, and to prevent under-optimal use of water resources.

The message is substantiated in two ways: (1) capacity to manage the urban and industrial water supply in a way that prevents under-optimal use, and (2) contributes to a better balance between agricultural and urban/industrial use.

First, the EC has been the main financial contributor to capacity-building in the area of urban and industrial water supply since 2000. Through its Al Meyyah programme, the Ministry of Water and Irrigation has considerably improved its technical capacity. For instance, the EC-supported PMU has supervised the overall implementation of about 15 water network rehabilitation projects in Greater Amman (projects funded by Germany, Italy and USAID). Until very recently, about 25% of the water entering the city's distribution system was lost by leakage and these leakages are said to have been reduced by roughly one third (see 6.5).

Moreover, the EC assists in developing a standard approach to assessing the performance of private-sector water services, with a view to reducing unaccounted-for utilisation and leakages. This approach has been applied in the privatisation of the urban water network of the Northern Governorates, which has been entirely managed by Jordanian authorities. In this instance, the capacity of the Jordanian project management owes a lot to the Al Meyyah programme (see 6.5).

The large-scale agricultural use of scarce water resources is a major challenge which may be addressed through various strategies, including water tariffs, water-saving irrigation techniques, and agricultural reuse of treated waste water. One of the EC funded regional projects (EMWater) has worked remarkably on building the public-/private-sector capacity to deal with treated waste water. In addition, the EC has managed to put the issue on the political agenda, with the result that legislation has been amended in order to facilitate this forward-looking approach(see 6.5).

7 Civil society and media (C)

To what extent has EC support contributed to strengthening pluralism in the civil society and media?

Judgement criteria

NGOs and the media have strengthened their capacity to act individually and collectively.

They have developed their specific views freely, and played a distinct proactive role in the public arenas as regards:

- (1) policy reforms, and
- (2) the implementation of policies.

7.1 Approach to the question

The EC country strategy refers to the aim of “developing a pluralistic democratic society based on respect for human rights and the rule of law” and the associated indicative programmes allocate funds for “strengthening pluralism and human rights”⁵⁷. The concept of pluralism remains rather vaguely defined in the EC strategy and programming documents. It is generally included in the much broader governance agenda, based on values such as participation, accountability and transparency. In this section, the term is understood as a driver to promote democracy and human rights. Focusing on the issue of a pluralistic society enables the evaluation team to analyse most of the effects of the EC support in the area of human rights, democracy, civil society, rule of law, and good governance⁵⁸.

The question focuses on civil society and the media because the EC intends to achieve results in both areas. However, nothing had actually been implemented as regards the media at the time of this evaluation, and this part of the question is therefore neglected. What the EC has actually done is to support NGOs through the EIDHR and Sharaka programmes (see Volume 2, section 7.2). In this section, civil society is therefore equivalent to NGOs.

This question belongs to the family of effectiveness.

The judgement criteria are as follows:

- NGOs have strengthened their capacity to act individually and collectively.
- They have made pluralistic inputs into policy-making and policy-implementation, i.e. they have freely discussed and refined their specific views; they have played a distinct proactive role in public arenas; they have advocated their specific views when policy reforms were at stake; they have commented on the implementation and outcomes of current policies, etc.

⁵⁷ Country Strategy Paper, 2002, pp. 3 and 39.

⁵⁸ See **Erreur ! Source du renvoi introuvable.** for a definition of good governance and another approach to this issue.

The question is answered by testing the following assumptions:

- The EC has targeted a substantial part of its support to strengthening pluralism in civil society and the media in Jordan
- The EC has combined its efforts with those of EU Member States in the areas pertaining to pluralism
- The EU has achieved high-level dialogue with the Government on strategic issues pertaining to pluralism
- Through dialogue with and support from the donor community, the Government has changed the legal framework and its enforcement in a way which promotes the development of pluralism
- In the areas reached by EC support (directly or indirectly), civil society organisations have increased their capacity and their practice of making pluralistic inputs into policy-making and policy-implementation.

Data were gathered and analysed at national level (EC cooperation as a whole, Government policies, data on civil society and the media), and through interviews with seven NGOs supported by the Sharaka programme⁵⁹.

7.2 EC activities considered

Overview

The fifth and last priority of the CSP is called “Strengthening of the pluralism, civil society, and the rule of law”. In this respect, the EC planned to develop a broad support programme with the objective of (1) strengthening women rights, especially the political, social and economic role of women, (2) protect the rights of the child, (3) promoting freedom of media, association and assembly, and (4) strengthening civil society.

This strategic step had been preceded and accompanied by several projects funded through the EIDHR⁶⁰, often at regional level, and providing pilot experience in the sector. Microprojects supported through the EIDHR were managed by the Delegation.

In parallel, an important programme called “Sharaka” has been launched in 2003 with the aim to support projects designed and implemented by Jordanian NGOs in a number of domains including human rights and democratisation. This project was the first ever launched between the EC and a partner country in the Mediterranean region under a bilateral funding mechanism.

The first call for proposals resulted in seven projects selected for a total of EUR 0.8 million. The second call, one year later, ended up with six projects that received funds for a

⁵⁹ The evaluation team has focused on this Jordan-specific programme in order to concentrate on areas with the best potential for learning in the country.

⁶⁰ Jordan has been allocated support under the European Initiative for Democracy and Human Rights (EIDHR) in the context of regional projects in the years 2002-04. EIDHR supports civil society initiatives that aim to promote democracy and human right.

total of EUR 0.7 million. In 2005, the Queen Zein Al Sharaf Institute for Development was contracted to conduct a capacity building programme for the NGOs supported under Sharaka and further build their skills on project management, leadership and advocacy.

In 2005, the EC was considering to support the Government's agenda as regards the "quality and independence of the media"⁶¹, through the establishment of a Higher Media Council that would help transforming the legal, regulatory and professional structure of Jordanian media. So far, this action has not yet reached its target.

Building on lessons learnt with the first Sharaka programme, the NIP 2005-2006 made the strategic choice to include a capacity building component for government agencies involved in the promotion of human rights as well as a focus on promoting dialogue between the governmental and non-governmental players (see table below, last line).

Table 9 – Main EC actions connected to the promotion of pluralism

| | Allocated (total) | Contracted (Jordan) | Disbursed (Jordan) | Date start | Date end | Funding modality |
|--|-------------------|---------------------|--------------------|------------|----------|------------------|
| Promotion of Human Rights and Democratisation in Jordan (Sharaka) | 2.0 | 1.7 | 1.7 | 2002 | 2007 | Project |
| European Initiative for Democracy and Human Rights (many projects) | 1.3 | 0.0 | 0.0 | 2004-2006 | on-going | Project |
| Development of Democracy, human rights and good governance ⁶² | 5.0 | ? | ? | 2005 | on-going | Project |

Source: inventory (see Appendix 2). Million EUR

The role of the Delegation in civil society support programmes clearly goes beyond monitoring. In 2005, the management team (composed of 4 resource persons) had an input at both the substantive level (e.g. discussing ideas with NGOs) and implementation level (with the training component integrated in the programme, albeit carried out by an external agent).

Analysis

Assumption: The EC has targeted a substantial part of its support to strengthening pluralism in the civil society and media in Jordan

The most substantial EC support to civil society is the Sharaka programme, although it remains quite small if compared with other sectors on financial ground. The programme was launched in 2002, i.e. immediately after the CSP. Its aims are (1) to develop a regulatory environment enabling NGOs to strengthen and diversify, and (2) to strengthen the role of beneficiary organisations in the civil society.

⁶¹ National Indicative Programme 2005-2006

⁶² The evaluation team

In practice, this boils down to creating (1) more “space” for civil society to participate in human rights and good governance processes, (2) to inject resources directly into fragile civil society structures (especially outside Amman), (3) to enhance the organisational capacity of the beneficiaries, and (4) to foster NGOs’ dialogue with the Government.

The Sharaka programme was initially meant to “involve community-based organisations operating in more remote areas of the country, in order to raise awareness of human rights and democratisation issues”⁶³.

It is worth noting that EC programmes in other sectors also aim at promoting a more “open society” where citizens can express voice, participate in policy processes and claim rights. For instance, this is a clear objective of the programme “Poverty Reduction through Local Development” (see 5.2).

7.3 EU coordination

Overview

The UK and France are the Member States most actively cooperating with Jordan in the domain of human rights, democracy, civil society, rule of law, and good governance.

There is a specific EU Human Rights thematic group, gathering the EC and the EU Member States and providing a forum for more in-depth analyses of human rights and democratisation issues in Jordan and for follow-up on the implementation of the Neighbourhood Policy.

Analysis

Assumption: The EC has joined its efforts to those of EU Member States in the areas pertaining to pluralism

In the specific area of human rights and civil society, the coordination with Member States and other donors “has gained momentum” in 2004. A coordination group has been set up on human rights and a technical committee on civil society and has held its first meeting in 2006.

Several projects funded by the Sharaka programme involve co-financing by Member States (e.g. The Netherlands) through an easy informal coordination (Interview EC).

The outcomes of the political dialogue (see next section) suggest that the EU manages to speak with one voice on human rights and civil society in the Sub-Committee.

⁶³ Delegation, annual report 2003, p 55

7.4 Dialogue with Government

Overview

Jordan accepted the creation a Sub-Committee on Human Rights, Governance and Democracy to engage in a structured dialogue with the EU on progress achieved in this area. Two meetings have been held in respectively 2005 and 2007.

In the framework of the Donor/Lender Consultation Group (DLCG), a subgroup on Justice Reform is active while the subgroup on Social Development hosts a technical committee on civil society. There is an Informal Human Rights and Good Governance Group, involving the major donors, whose main added value is the exchange of information on projects and actions.

As the largest donor in this sector, USAID assists in “increasing the participation of civil society in public decision-making, strengthening the legislative and public policy capacity of the Parliament, ..., addressing the limited role of the media and improving the skills of journalists”⁶⁴. Programmes funded by the Norwegian, British, Swedish, Dutch, and Canadian Governments promote greater levels of public participation and the protection of human rights, and bring together experts from the government, NGO, and academic sectors.

USAID direct support to SMEs came through Jordan US Business Partnership Programme (JUSBP) which was transferred after its completion (local staff) to a non-profit company called Business Development Centre (BDC). Also USAID initiated another direct funded function called Tatweer under the umbrella of BDC (around USD 9 million).

Analysis

Assumption: The EU has achieved to create a high level dialogue with the Government on strategic issues pertaining to pluralism

The Sub-Committee on Human Right, Governance and Democracy is the first mechanism of this kind in the MEDA region, reflecting both the openness of the Government and the excellent relations that have been built up with the EC/EU. From a strategic perspective, it can be considered as a positive outcome of the process-oriented, soft and gradual approach followed by the EC in ‘pushing’ the democracy and human rights agenda in Jordan. The establishment of the Sub-Committee brings along new opportunities to influence political change in dialogue with the Government.

At technical level, there are many instances of project-related dialogue, an example of which is the judicial domain where EC’s support is small and recent comparatively to other donors (see Box 19).

Project-related dialogue is shaped by the nature of the programmes through which the EC operates. “In some programmes it is for Brussels to decide on the EC’s investment priorities in the neighbouring countries, and then Jordan. In other instances we try to

⁶⁴ Gateway to the future, USAID – Jordan Strategy 2004-2009.

combine with our priorities and that of the local authorities through our yearly EC-Government review (Interview Government).

Box 19 – Coordination and dialogue in the judicial domain

The JJI has worked with the USAID on case management and mediation through a train-the-trainers programme; with a number of UN specialised agencies, such as the ILO in the fields of minors, labour and combating drugs; with the UK on witness protection methods. The French Government sponsors an annual legal seminar where French and Jordanian experts get to participate and contribute. The very first and direct cooperation between the JJI and the EC will start in the beginning of 2007, where the focus will be on human rights education and the case law of the European Court of Human Rights. As part of the EURO-MED there are also regular participation of Jordanian judges in seminars on democracy and human rights.

A meeting has taken place recently at the Jordan Judicial Institute (JJI) where all the interested donors attended and they managed to coordinate among them in order to overcome any kind of overlapping.

Source: Interview JJI

7.5 Policy reforms

Overview

A number of human rights treaties have been ratified in June in 2006 and the International Covenant on Civil and Political Rights, which was ratified in 1975, has been published in the Official journal, making it enforceable in the country. All human rights treaties have been published in the Official Journal in the beginning of 2007, allowing them to be actually integrated into the Jordanian law. In some instances, this process was awaited for ten years or more⁶⁵.

By the end of 2006, a new law is being drafted with an aim to create an umbrella for all Jordanian NGOs. This issue is challenging in the context of regional instability, where radical groups may attempt to instrumentalise NGOs.

The National Agenda highlighted the need of major reforms on various public sectors, including commitments towards facilitating political parties, criminalising “wasta” (favouritism), installing an ombudsman, prohibiting of holding journalist in custody in publications cases, encouraging freedom of expression and dialogue within universities.

Analysis

Assumption: thanks to the dialogue with and support from development partners, the Government has changed the legal framework and its enforcement in a way which promotes the development of pluralism.

⁶⁵ Source: evaluation team’s human right expert

The dialogue with EC/EU is said to be a major cause of the recent acceleration in the pace of ratifying and publishing international treaties (interviews EC and Government)

One of the key issues that the government and the EU/EC are working together is the development of the Judiciary. Another one is the empowerment of women. Both are reflected in the objectives of the Jordanian political reforms presented to the public in the last two years. The project setting up a quota of women in the Parliament could have benefited from an EU contribution.

The reform of the laws regarding NGOs has not been subject to political dialogue.

The recent preparation of the Action Plan of the ENP was an opportunity for reinforcing the commitments to political reforms. Five out of the twelve key priorities identified in the Action Plan relate to the issue of pluralism more or less directly. They include a joint commitment to: (1) take forward a national dialogue on democracy and political life within the framework of the national political development plan, (2) continue to develop an independent and impartial judiciary, (3) take steps to develop further the freedom of media and freedom of expression, (4) further promote equal treatment of women, and (5) strengthen political dialogue and cooperation on issues of international and regional interest including the Middle East Process and the fight against terrorism. The Action Plan therefore seems to provide a solid basis for an effective EC support to Jordan's National Agenda for political reform.

7.6 Pluralism

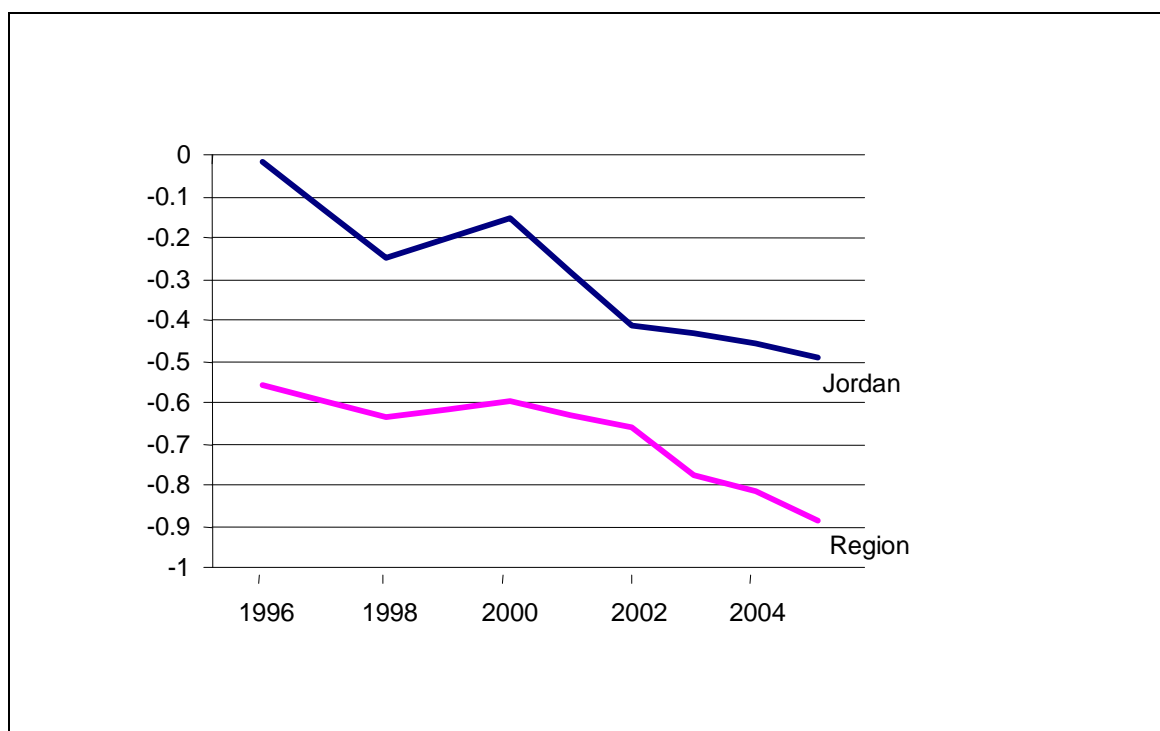
Overview

There are large numbers of listed NGO's in various forms and shapes. Charities are mostly registered in the Ministries of Social Security and Cultural Affairs, and to a lesser extent in the Ministry of Interior. In the last decade a number of non-profit companies have registered in the Ministry of Industry and Trade, in order to avoid the legal restrictions or obstacles which prevail with the other above mentioned ministries.

According to the General Statistics Department report, there were about 2000 registered NGOs in 2005, of which probably less than 20% are active out of Greater Amman. According to the Companies registrar at the Ministry of Industry and Trade, 90 non profit companies have registered within the last five years and operate as NGO's [C2].

The World Bank's governance indicators can be taken as proxies for understanding the evolution of pluralism as understood in this section. Jordan is compared to the average of four countries (Egypt, Jordan, Lebanon, Syria). The first two indicators (Voice & accountability; Political stability) are presented in the first graph hereafter. They show a general worsening in the region, including in Jordan, which however performs better than the other countries.

Figure3 – Governance indicators – Voice, accountability, stability

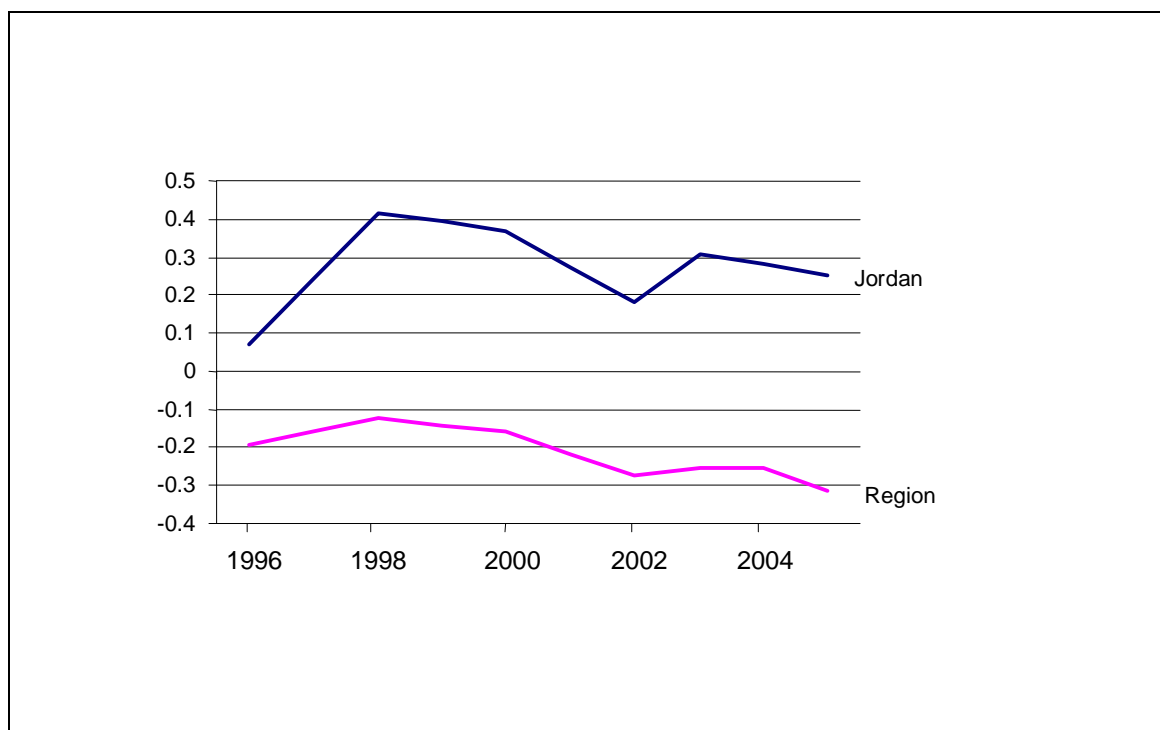


Source: World Bank's governance indicators. Average 1 & 2. Best = +2.5, worst = -2.5

The recent Human Rights Watch overview of Jordan (2005) states that “the exercise of basic rights such as freedom of expression, association and assembly remains restricted. Security forces carry out arbitrary arrests and detain people without charge in name of counterterrorism. Honour crimes and discrimination continues to circumscribe women's political, civil and economic rights”. The Jordan National Centre for Human Rights painted a similar picture in its first annual report in 2005. The Centre for Strategic Studies of Jordan University issues since years a "Public Opinion Poll Unit" on the state of democracy in Jordan. The last Poll dates from July 2006. While few respondents see the Jordan political system as an authoritarian state, 75% of respondents reported that they cannot criticize and disagree with the government in public without being subjected to security or living consequences. Furthermore, political parties are not perceived to represent people's aspirations.

The remaining indicators are presented in Figure4 hereafter (Government effectiveness; Regulatory Quality; Rule of Law; Control of Corruption). On this ground, the situation of Jordan is well better than that of the other countries, and has improved during the period under evaluation, contrary to the other countries.

Figure4 – Governance indicators – Government effectiveness; Regulatory Quality; Rule of Law; Control of Corruption



Source: World Bank's governance indicators. Average 3 to 6. Best = +2.5, worst = -2.5

It must be stressed that these broad indicators reflect the concept of pluralism quite approximately. Through its interviews in eight NGOs (supported and not supported by the EC), the evaluation team has sought evidence about the capacity of NGOs to express their specific views freely, and to play a distinct proactive role in the public arenas. The following examples have been encountered:

- In one instance, the beneficiary organisation managed to conduct a study on the status of women in 15 laws, and to have this study reviewed by the Parliament. In September 2006, it held a conference with 70 NGOs with an aim to create a coalition and to lobby on issues related to the status of women in the law when it comes to the nationality of the children, divorce, and inheritance. This is an exception in the Jordanian context where NGOs tend not to cooperate.
- In another instance, EC support helped to create a hotline for family abuse and domestic violence where women's calls stay confidential. The number of reported cases jumped from 30 to 2,000. This fact has been used as an awareness-raising argument in the public arena.

Analysis

Assumption: In the areas reached by the EC support (directly or indirectly), civil society organisations and the media have increased their capacity and their practice of making pluralistic inputs into policy making and policy implementation.

In the two above instances, there were successful pluralistic inputs into the public debates, and a likely impact on policy making. The outcomes are directly connected to the EC supported projects. Interviewees understand that the EC support has been beneficial in two ways [C1]:

- Capacity building: the beneficiary NGOs declare that the support enabled them to e.g. “conduct a study”, “launch a media campaign”, “establish branches in other cities such as Ajloun and South of Amman”. Their views is that “NGOs have ideas but they do not have the financing”; “We were already active in the issue of policy making but when you have the financial you are stronger in terms of resources and able to go to the next level” (Interviews NGOs).
- Legitimacy, e.g. “The support helped us working with the Government, which helped us to have more credibility. More people believed in us”; “The support gave our organisation the chance to be heard and make a difference in the society” (Interviews NGOs). “Many NGO’s understand that it is time to start doing a real advocacy work. Until now there are focusing on services provision and it is difficult for them to grow on their current mandate” (Interview EC)

It less evident to see how the programme has contributed to also address the broader ‘systemic’ changes required for an open, pluralist and democratic Jordan. One of explanatory factors is the size of the programme. In the current EC approach, there is some mismatch between stated objectives (i.e. the development of a viable that can impact upon good governance processes) and the means (i.e. small-scale projects, of limited duration, to be tendered through calls for proposals).

There is another gap with the targeted NGOs. The Sharaka programme was initially designed with an aim to reach fragile grass root NGOs throughout the country. Some of the targeted organisations have expressed concerns that the programme’s calls for proposals are too complex for small organisations to succeed or even to apply. In fact, grass-root NGOs cannot cope with the need to work in English and with sophisticated administrative requirements⁶⁶. Eventually, the 13 supported NGOs were relatively strong and all Amman based. This geographical bias has however been reduced by the fact that several beneficiary organisations used the EC funds for creating local branches and developing activities out of Amman.

⁶⁶ “Sometimes NGO’s have some great ideas but they do not have the capacity to fulfil the proposal including the English Language. This filter results in fact that we reach strong NGO’s based in Amman” (Interview EC)

Box 20 – Answer to the question C (Civil society and media)

After a few pilot actions, the EC established pluralism as one of the five objectives⁶⁷ in its Country Strategy Paper in 2002. The issue has been the subject of high-level policy dialogue, and has been granted substantial and rapid efforts. A pilot programme (Sharaka) has been launched and it has reached 13 NGOs. An action targeted at the quality and independence of the media is being launched at the time of this evaluation.

The dialogue with the EC/EU has been influential in the recent acceleration of the pace of ratification and enforcement of international treaties protecting pluralism, including the International Covenant on Civil and Political Rights in June in 2006 (see 7.5).

Through the Sharaka programmes, specific efforts have been geared towards reaching grassroots NGOs. This has been complicated by the need to undergo an application process which was too complex for the smaller organisations. The EC has therefore reached relatively strong NGOs, most of them based in Amman, although a part of the support has been used for developing local branches of supported NGOs.

The EC support has directly reached a few influential NGOs, and helped them to enhance their institutional capacity, with impressive impacts in terms of pluralistic inputs into the public debates, especially as regards gender issues.

Box 21 – Civil society and media (C) - main message and justification

Substantial pluralistic inputs have been made in the public arenas

The EC support has directly reached a few influential NGOs and contributed to enhancing their institutional capacity. In at least two instances, this entails impressive inputs into public arenas. These inputs were “pluralistic” in the sense that (1) they were genuinely new in Jordanian public debates and (2) they pertained to women’s rights, an area where civil society’s interests are rarely voiced.

Justification

The question C had to be answered on the basis of NGOs’ capacity to develop and express their specific views and to play a distinct proactive role in public arenas.

In the area of civil society and the media, the main EC activity has been the Sharaka programme which has allocated financial support to 13 NGOs since 2003, out of about 2,000 Jordanian charities and non-profit organizations (see 7.6).

⁶⁷ Strengthening of pluralism, civil society and the rule of law.

The EC has not significantly contributed to promote an enabling environment for the creation and development NGOs in Jordan, an issue which is challenging in the context of regional instability.

EC calls for proposals proved not to be accessible to the weakest NGOs, which means that only organisations with a reasonably good capacity benefited from the support. The beneficiary NGOs however stated that the support enabled them to e.g. “conduct a study”, “launch a media campaign”, “establish branches out of Amman”. The simple fact of being funded by the Sharaka programme was said to be a plus for the credibility of the beneficiary organisations because it involved an implicit acknowledgement of their work by the EC and the Government (see 7.6).

A number of supported NGOs specialise in human rights and/or gender, two areas where civil society’s interests are rarely voiced. Among the beneficiary NGOs, two have reported significant inputs into the policy arenas, which is little in both absolute and relative terms. However, the achievements are impressive and sufficient for considering that the programme as a whole has been a success:

- In one instance, the beneficiary organisation managed to conduct a study on the status of women in 15 laws, and to have this study reviewed by the Parliament. In September 2006, it held a conference with 70 NGOs with an aim to create a coalition and to lobby on issues related to the status of women in the law when it comes to the nationality of the children, divorce, and inheritance. This is an exception in the Jordanian context where NGOs tend not to cooperate.
- In another instance, EC support helped to create a hotline for family abuse and domestic violence where women’s calls stay confidential. The number of reported cases jumped from 30 to 2,000. This fact has been used as an awareness-raising argument in the public arena.

The organisation reporting these achievements is genuinely Jordanian. This is in no way a subsidiary of an international NGO. It has received no support from other donors. The support received from the EC was substantial in comparison to its budget. When interviewed, they express the view that “we were already active in the issue of policy-making but when you have the financial resource you are stronger and able to go to the next level”.

8 Instruments supporting SMEs (I)

How do the implementation modalities successively used by the EC for developing Jordanian SMEs compare in terms of cost-effectiveness?

8.1 Approach to the question

Cost-effectiveness is an especially difficult issue, and the evaluation team suggested that it should be fully addressed in at least one question.

The area of assistance to SMEs was selected because there was an opportunity to analyse three aid modalities aimed at achieving the same set of effects over a nearly 10-year period: Business Service Team (BST), Euro-Jordanian Action for Development of Enterprise (EJADA), and support to Jordan Upgrading and Modernisation Programme (JUMP). Moreover, the EC interventions in these areas have been very visible and financially important.

According to the EC's definition, this question belongs to the family of efficiency. Effectiveness and sustainability are also covered.

The judgement criteria are as follows:

- Development of Jordanian SMEs in terms of (1) number, (2) size and (3) competitiveness.
- Budgetary cost for the EC and the Government.

The question is answered by successively testing the following assumptions:

- The EC has attempted to be cost-effective in its support to Jordanian SMEs
- The EC has attempted to be cost-effective in its transfer of activity to the Government
- The EC has managed to provide Jordan SMEs with effective services at a reasonably low cost.

Data were gathered and analysed through an in-depth investigation into the cost and effectiveness of two components of the projects / programmes: (1) the provision of advisory services by European consultants, and (2) the share of the services repaid by Jordanian SMEs.

8.2 EC activities considered and their cost

Overview

Overall support to SMEs

From 1997 to 2000, the EC ran a EUR 7 million pilot project (Business Service Team) which provided advisory services and training to SMEs. The project included the design of the larger EJADA programme, which was launched in 2000 with an allocation of EUR 40 million, subsequently increased to EUR 45 million. The programme ran from 2001 to 2005.

Again, it included the design of the next phase, i.e. a sector budget support targeted at SMEs.

EJADA comprised a support to SMEs, either direct through advisory services, or indirect through training, incubators, access to seed capital, etc. The programme assisted in the drafting and implementation of the Competition Law (see Box 22).

The programme included a transfer of expertise across Mediterranean countries, for instance in hiring a manager having acquired experience in Tunisia.

In financial terms, the main component of the programme was the direct support through advisory services. This is why the following pages concentrate on this issue.

EJADA was seen as a way “to increase the country’s competitiveness and thus become a real motor of economic growth”. Exports to the EU market were not stated as a formal objective, but it was clearly an expected side effect⁶⁸.

Box 22 – EC’s contribution to the competition policy

The reform of the competition law is the only (and modest) contribution of EJADA to creating a business friendly regulatory environment.

In fact, a first proposal for a competition law had been formulated in the 90’s through a project supported by Canada and the USA, but the policy development process had been stopped and had remained clinically dead during several years.

The process has revived at the initiative of EJADA and the new law has been passed recently.

EJADA was terminated by mid 2006. In fact, the sustainability of EJADA has been closely considered by the EC. The duration of the programme has been extended by one year in order to leave time for the setting up of Jordanian institution (JUMP), to which the responsibility was subsequently transferred in the framework of the “Sector Reform Facility”, a EUR 40 million sector budget support.

Direct support to SMEs

The Table 10 presents the provision of advisory services to SMEs as implemented in the three successive contexts.

The cost and number of advisory services are the evaluation team’s rough estimate. The components of the cost are (1) cost of the management (e.g. project selection, contracting with experts, ...) and (2) cost of the service itself (e.g. diagnoses, provision of advisory services), less the share repaid by beneficiary SMEs.

⁶⁸ Delegation, annual report 2003, p 26 – “EJADA is thus addressing both the challenges and opportunities facing Jordan’s economy, especially those presented by the Association Agreement and the Kingdom’s accession to the WTO”.

Having considered all the advisory support from the standpoint of financial stakes and potential contribution to achieving effects, the evaluation team has decided to focus on the following issues:

- Mix of EU and local advisers, ... because EU advisers provide a specific expertise (including access to the EU market), but at a relatively higher cost and with limited flexibility.
- Share of service cost paid by beneficiary SMEs, ... because the financial stake is important, and because under-priced services may be an issue for deadweight and long term sustainability of service provision.

Table 10 – Ten years of EC supported advisory services to SMEs

| | <i>BST</i> | <i>EJADA</i> | <i>Sector Reform Facility</i> |
|---|------------------------|--|---|
| Duration | 1997-2000 | 2001-2006 | 2006- ... |
| Funding | 100% EC funded | > continued | Co funded with Government |
| Funding modality | EC project | EC programme | Sector budget support |
| Management | Managed under contract | Specific project management unit | Managed by a new agency (Jordan Enterprise) |
| Services provided | Standard services | Tailored services after diagnosis | > continued |
| Number of supported SMEs | about 40 | about 150 ⁶⁹ | ? |
| Cost | about EUR 3 million | about EUR 12 million | EUR 10 million ⁷⁰ |
| Proportion of EU/Jordan advisers | about 90/10 | about 50/50 | > continued |
| Share of cost paid by beneficiary SMEs | 20% | Share reduced to 10% and then increased again to 20% | Continued at the level of 20% |

Analysis

Assumption: the EC has attempted to be cost effective in its support to Jordanian SMEs

Two facts indicate that the EC has been concerned with cost-effectiveness:

- As soon as in 1997, the BST project included a learning-by-doing approach aimed at developing the capacity of local advisers, which was very limited by this time.
- In 2001, the repayment rate was reduced from 20% to 10% because there were difficulties to attract SMEs in sufficient numbers. In 2004, the EC strived to

⁶⁹ By 2005, the Impact Study for the EJADA Business Upgrading Sub-Component mentioned that 130 SMEs had been allocated a total amount of EUR 8-10 million. EJADA's direct support to SMEs seems to have been allocated to Amman based enterprises in an even larger proportion (90% of financial support to surveyed SMEs) than the weight of Amman in the GDP (85%)

⁷⁰ Disbursement at the date of the evaluation, out of an overall allocation of EUR 40 million

increase the repayment rate to the initially planned rate of 25%. Discussion with the Government eventually ended in a 20% rate⁷¹.

8.3 Sharing of responsibilities and cost among development partners

Overview

Other schemes supporting SMEs

USAID has been the other main player in the area of private sector development through the AMIR programme which had a direct support dimension⁷², although its main focus was on developing a business friendly environment in cooperation with the Government. The AMIR programme came to an end in November 2006 and it was immediately replaced by another USAID programme called SABEQ, with a financial allocation similar to the EC's Sector Reform Facility.

USAID direct support to SMEs came through Jordan US Business Partnership Programme (JUSBP) which was transferred after its completion (local staff) to a non-profit company called Business Development Centre (BDC). Also USAID initiated another direct funded function called Tatweer under the umbrella of BDC (around USD 9 million).

To the knowledge of the evaluation team, Japan and the Netherlands have also been active in supporting Jordanian enterprises.

Changing roles between EC and the Government

Continuation of EJADA and AMIR are almost concomitant in time (July and November 2006), but the processes are quite different in institutional terms since the EC has now passed the responsibility to the Government and has moved to a sector budget support.

Analysis

Assumption: the EC has attempted to be cost effective in its transfer of the activity to the Government

The MEDA I evaluation report (covering years before 2003) assessed that there was an “intense competition among donors” and that “targeted beneficiaries were used to switch from one source of support to the other”.

In this respect, the transfer of EC's responsibilities to the Government can be understood as a step towards a more efficient system. The former EJADA activities have therefore been transferred to a newly created institution (JUMP).

This transfer is however a complex story, since Governmental institutions dealing with private sector development are currently subject to an in-depth restructuring, with the creation of an industrial development agency.

⁷¹ The impact study show an average rate of 15% among surveyed SMEs

⁷² “AMIR has also been instrumental in assisting micro-, small- and mediumsized enterprises to become more competitive and profitable while, at the same time, addressing the needs of the market as well” (USAID-Jordan Annual Report 2004).

The former EJADA activities, which were managed by a small efficient task force, are being taken over by several distinct institutions, most of them being reformed or even created from scratch. The duration of the transfer process is likely to be about 18 months. At the time of this evaluation, only a few members of the EJADA staff have remained in the institutions taking over the previous activities, with the consequence that the accumulated knowledge and institutional memory is partly evaporating. It must however be acknowledged that the evaluation team has not observed any actual inefficiency resulting from this difficult transition process.

In comparison, the continuation of AMIR into SABEQ has been fast and smooth, with no loss of knowledge, but it is a transfer within one stable organisation, which is by no means comparable to a transfer across institutions.

8.4 Strengthening of SMEs

Overview

The EC has targeted SMEs of the manufacturing sector, i.e. the most likely to be affected by the opening of the EU market. This sector represents 15% of the total number of establishments in Jordan, and 26% of employees. This is the second largest employer in the country after wholesale and retail. The manufacturing sector is largely small scale, with 84% of the companies having between one and four employees. In 2003, only 123 companies (less than 1%) had an employment figure of 100 or above.

BST and EJADA have reached about 200 SMEs, which is a significant proportion of the targeted enterprises.

Analysis

Assumption: The EC has achieved to provide Jordan SMEs with effective services at a reasonably low cost

Overall contribution to increased competitiveness

The impact study carried out in 2003 concludes that supported SMEs were very satisfied (more than 60%). Interviewed managers rated the contribution of EJADA at 1.7 for competitiveness (on a 0-3 scale), 1.6 for sales, and 1.1 for exports. Total annual sales changed by an average 32% in the period between the baseline and impact measurements. Exports increased by 61%, but exports to the EU remained stable (+ 0.6%) [I2].

This picture is confirmed by the evaluation team's interviews [I2]:

- “The EC supported three year project improved the quality of our products and increased the production, in both quality and quantity. The company increase the rate of exported products to the Arab Region to 10% with a significant cost reduction”
- “After the support received, we structured a strong modelling and design department, which gave the company the chance to connect with new markets”

- “The support received impacted everything from the structure of the company to the staff and the quality of the performance, to the mechanism of the production line and the cost of the production”.

None of the eight enterprises visited indicate a failure in strengthening their capacity, but several express doubts about their future in a harder and harder international competition. Surprisingly several interviewees complain about business environment in Jordan, which is called to worsen.

Specific contribution and cost of international and local consultants

The share of local consultants has raised considerably between 1997 and now (see Table 10)

The impact study carried out in 2003 show uneven satisfaction with the service provided by the consultants: “The quality of the selected consultants, both international and local, was excellent”; “Excellent choice of consultants”; “Poor qualifications of selected consultants”; “Insufficient time dedicated by the consultant”; “The consultants offered little added value”. International consultants were considered as “too expensive for local companies”, and the process of hiring them was unanimously assessed as “lengthy”.

The evaluation team’s interviews suggest a more nuanced picture, in which local and international consultants complement each other:

- “There are no local consultancies in our sector”
- “We benefited 100% from the study of the local consultants. It ended in saving power, improving performance, creating jobs from locals, and preserving the environment.”

Broadly speaking, the evaluation team interprets the ten year story as the progressive development of a Jordan based consultancy community, which is now capable to provide almost all generic advisory services (e.g. strategy making, energy saving) at local cost, whilst costly international consultants remain needed in more specific niches.

The two successive EC actions (BST and EJADA) have played a deliberate role in developing the capacity of local consultants. This has been mainly achieved by making compulsory that each international consultant be accompanied by a local consultant, a rule which boosted the local learning-by-doing.

In addition, a surprising benefit of the difficult transfer of EC’s responsibilities to the Government is that many members of the EJADA staff are now established as local consultants (seven persons to the evaluation team’s knowledge, of which a majority of women).

Overall, the EC has therefore facilitated the progress towards an efficient mix of international and local provision of services to SMEs.

Specific contribution and cost of the subsidy rate

As seen above (0), beneficiary SMEs have repaid from 10 to 20% of the cost of the services, which means that the subsidy rate has been between 80% and 90%, whilst the initially planned rate was 75%.

The evaluation team understands that the subsidy rate had to be increased in the first years of EJADA in order to attract a critical mass of enterprises into the programme. It can be assumed that this financial effort has been made even more necessary by the fact that donors were running somewhat competing schemes by these times.

The subsidy rate was subsequently reduced to 80%, and an issue is whether it could have been reduced again subsequently. This would have reduced the cost automatically, but possibly at the expense of effectiveness.

There are signs that the 80% subsidy rate was conditional for the success of the programme, e.g.

- SMEs interviewed by the evaluation team say that “In general the cost sharing is fair”; “If there was no cost sharing some activities could not be carried out because the expenditure would be too high”; “Without the support we would not have been able to go through alone”; “Any SME would not be able to cover the cost of an international consultant like in our case. It is very expensive”.

On the contrary, there is evidence that SMEs would have been ready to seek advice at a cost closer to market prices, e.g.

- During the impact study carried out in 2003, more than half interviewed managers were of the opinion that their own contribution was worth the service received. About 20% found the advice contributed more than its cost, while about 10% had the opposite view. About 60% said they have continued searching for (additional) external resources in a proactive way after the end of the support
- The evaluation team’s interviews show that the subsidy rate is certainly sufficient: “It is a very attractive rate and model of finance, makes a huge difference in the total cost”; “It’s a very attractive percentage. The percentage we had to pay was very good since we benefited a lot from the support”; “EJADA program covered 75% of the cost to conduct such studies which was more than fair for us since the study helped us in saving raw material and resources”
- The evaluation team is aware that similar schemes funded by other donors involve decreasing subsidy rates (e.g. from 80% to 50%) in case a SME benefits from a second project
- Finally, the evaluation team is aware of SMEs buying consultancy services on the local market without any support.

The evaluation team understands that the subsidy rate had to be high in the first years of the programme, and that it has been reduced as soon as possible. However, no further reduction has taken place since 2004 whilst there are signs that this would have been possible, at least for some beneficiaries.

Box 23 – Answer to the question I (Instruments supporting SMEs)

In the highly visible area of support to SMEs' competitiveness, and particularly in the case of advisory support to SMEs which involves the largest expenditures, the EC has paid constant attention to the main factors likely to affect cost-effectiveness. The need to provide generic services through local consultants has been properly anticipated and constantly promoted. The share of the service cost repaid by beneficiaries has been subject to close attention (see 8.1).

The EC support has constantly achieved satisfactory impacts on the competitiveness of supported SMEs (see 8.4)

Impacts have been achieved at a cost which could have been only marginally lower. The overall efficiency is due to the timely articulation of the three instruments (pilot project, large-scale project, and sector budget support), much more than to their intrinsic merits. Some competition between donors has occurred, and may have resulted in some extra cost required to attract a critical mass of enterprises into the EJADA project.

The move from EJADA to the sector budget support programme has been in preparation for at least one year, but remains difficult since activities are being taken over by several different institutions, most of them in the process of being reformed or even created from scratch. The duration of the transfer process is likely to be about 18 months and the accumulated knowledge and institutional memory is partly evaporating. It must however be acknowledged that the evaluation team has not observed any actual inefficiency resulting from this difficult transition process (see 8.3).

Box 24 – Instruments supporting SMEs (I) - main message and justification

The support to SMEs is a success story of an efficient joint policy development

EC support to SMEs is a showcase of joint policy development. It has led to the establishment of a private-sector development policy which is now fully managed and owned by the Government, and partly funded by the EC through sector budget support. It took ten years from the initial pilot project to the full transfer of the policy to the Government. During those ten years, the process continuously achieved positive impacts on the competitiveness of supported SMEs at a cost which could have been only marginally lower. The overall efficiency is owing to the timely articulation of the three instruments (pilot project, large-scale programme, and sector budget support), much more than to their intrinsic merits.

Justification

The question I is about the successful strengthening of SMEs' competitiveness at a low budgetary cost for the EC and the Government.

The reasoning concentrates on direct support to SMEs, which is the heaviest component of EC support in financial terms. Two elements are analysed in more depth, i.e. the mix of international and local consultants, and the share of the cost repaid by beneficiaries. These elements are key drivers for both the cost and the effectiveness of the support.

The mix of international and local consultants has been analysed as follows:

- The pilot project relied mainly upon European advisers and the role of Jordanian consultants was marginal. This practice was fully consistent with the fact that the number and capacity of Jordanian consultants was extremely limited. The pilot project included a systematic twinning of European and Jordanian advisers with an aim to building the capacity of the latter through a learning-by-doing approach.
- The large-scale EJADA programme continued with a systematic twinning of European and Jordanian advisers, but with a more balanced sharing of roles. It included a more structured approach to building the capacity of local consultants.
- The programme currently managed by the Government has relaxed the constraint of twinned European-Jordanian advice. The European experts are called on only for specific issues, and generic consultancy (e.g. strategy-making, energy-saving) is now provided for locally by a mature market of business services. Seven former local staff members of the EJADA management team are now established as consultants. The evaluation team has collected evidence that SMEs assess local consultants' services as more cost-effective than European's as regards generic services (see Volume 2, section 8.4).

The whole story must be analysed as a sustained and successful effort to build a Jordanian capacity in the area of generic advisory services to SMEs, with eventual benefits in terms of both lower cost and higher effectiveness. The evaluation team considers that this process was properly anticipated from the beginning and that its progress could not have been much faster because it takes several years for a consultant to become a credible adviser and for local consultancy firms to become sustainable.

The second main driver of the cost (SMEs' repayment) has been analysed as follows:

- The pilot project had a repayment rate of 20%
- The large-scale EJADA project was initially designed with a repayment rate of 25%. In fact the rate was first set at 10% in order to attract a critical mass of enterprises into the project, and then increased up to 20% on demand of the EC.
- In the current programme, the repayment rate for advisory services is still 20%. Within the past few years, other donors have offered similar support with progressive repayment rates (up to 50%) in case of successive applications. The evaluation team is aware of Jordanian SMEs paying 100% of the price of local advisers providing services similar to that of JUMP.

The story shows that there is a problem with deadweight, i.e. offering services that SMEs were prepared to pay for. The evaluation team considers that this issue has been properly managed by the EC until recently. However, inefficiency has become a problem in recent years.

9 Cross cutting issues (X)

To what extent has the EC mainstreamed gender and environment, and governance in its support to Jordan?

9.1 Approach to the question

The ToR required this evaluation to cover cross-cutting issues like gender, the environment, human rights, and conflict prevention. The four quoted issues are of considerable importance in the Jordanian context, but only the first two have been taken on board without discussion.

The third issue (human rights) is considered as both cross-cutting and as a policy domain in itself. A number of projects are clearly targeted at human rights. They are categorised in the inventory (Volume 3) in a cluster called “human rights, democracy, civil society, rule of law, and good governance”. They are covered by Question C above. At the inception stage of this evaluation, it was decided to focus on good governance, since it corresponds to a “focal point” in the EC Delegation.

In the context of Jordan, the issue of conflict-prevention needs to be regarded specifically. Considering the role played by the country in the international efforts to deal with regional conflicts, EC-Jordan cooperation as a whole should be seen as a contribution to peace. One of the latest examples of that is the recent and important EC emergency budget support which was granted to cope with the negative impact of the Iraq War, partly from a conflict-prevention perspective. All activities in the area of cultural dialogue are also meant to contribute to conflict-prevention. This issue is so pervasive in the EC support to Jordan that it has been decided not to investigate it in more depth in this section. Conflict prevention in a more specific sense is however addressed in the section devoted to water resource management (question W).

The question is mainly answered by considering whether these issues have been integrated in EC activities like project formulation, management, coordination and dialogue. Actual effects in terms of gender, environment or good governance are mentioned incidentally, when these are assessed in another section of this evaluation. It follows that the question focuses on likely effectiveness rather than actual effectiveness. The question is also connected to relevance (concentrating efforts on the areas where the potential impact is the largest), and to coherence (activities and efforts consistently targeted at achieving priority EC objectives).

The question is answered by testing the following assumption for gender, environment and good governance, successively:

- The EC has equipped itself with a capacity for analysis
- It has considered the issue strategically at the level of the country as a whole
- The issue was mainstreamed where the potential benefits were the largest.

Data were gathered and analysed at the level of the EC cooperation as a whole. There was also a rapid investigation into nine projects covering the whole spectrum of the interventions under evaluation (see “Rapid assessments” in Volume 4).

9.2 Gender

Facts

The Delegation has maintained a Gender Focal Point since 2000. The position has been weakened in the first years by changes of personnel and the absence of Terms of Reference⁷³, but it has been strengthened since 2005. Gender equality has benefited from a strong commitment of the top managers in the Delegation⁷⁴. The evaluation team’s interviews show that “the Delegation has sufficient capacity of analysis in the area of gender”; “Managers are trained in mainstreaming gender during the design and implementation phases of projects”.

Gender is considered as a challenge by both the EC and the Government as can be seen by the following statements “Gender is a major issue in Arab societies, which has to do with the right to vote, with education, and with national laws”. “As regards gender there is not much that is taking place [in my area]” (Interviews in the Government). “Integration of gender is difficult”; “If the Government’s policy is not gender sensitive, then it becomes difficult for us” (Interview in the EC).

The evaluation team has collected convergent views confirming that the EC has constantly raised gender related issues in its policy dialogue, including on sensitive issues like honour crimes. In 2003, the UN acknowledged that the EC’s efforts in this field had laid the foundation for work by other donors as well as strengthening the government and NGO capacity⁷⁵.

The rapid assessments (see Volume 3) show that gender is mainstreamed in about one EC intervention out of two, more often at the stage of management and monitoring than at the design stage [X1].

Table 11 – Mainstreaming gender – evidence from rapid assessments

| <i>Stage in the project cycle</i> | <i>Evidence of mainstreaming in %⁷⁶</i> |
|-----------------------------------|--|
| Formulation | 40 |
| Management | 50 |
| Monitoring | 67 |

⁷³ Global thematic evaluation on gender, Jordan country report, 2003

⁷⁴ Same source

⁷⁵ Same source

⁷⁶ Rated “Yes” or “Rather yes”, in proportion of rated projects

In the course of its investigations, the evaluation team has encountered two examples of gender mainstreaming which are particularly interesting:

- The Sharaka programme (see 7.6) was geared at human rights and strengthening civil society. The programme documents show that gender has been a concern, e.g. “strengthening women’s rights and women participation in political, social and economic life”⁷⁷ [X1]. Interviewed beneficiaries do not remember having been briefed by the EC about gender, but several among the selected projects were about gender, and this evaluation confirms that two of these projects were very promising in terms of gender, received a gender specific support from the EC, and fully took their promises (see 7.6) [X4].
- The EJADA programme had an economic purpose and is said to have “encouraged women entrepreneurs” (Interview in the EC) [X2]. When interviewed by the evaluation team, none of the beneficiary SMEs remember having been briefed on gender, e.g. “The support given to the company had no gender conditions, and had no effect on any gender issue.” (Interview with SME). The evaluation team has however observed that the programme management team was gender balanced. Several months after the termination of the programme, seven members of the management team have established themselves as private consultants, and a majority of them are women, a proportion which is far above Jordan standards in the area of highly qualified jobs (see 8.3) [X4].

Analysis

Assumption: gender has been mainstreamed where the potential benefits are the largest

The evaluation team’s opinion is that the main challenges about gender in Jordan are in the areas of women’s rights and equal job opportunities.

Both examples above (Sharaka and EJADA) allowed the EC to mainstream gender in a way which addressed these challenges effectively, without following any systematic or mechanistic approach.

The later point is in line with the desk analysis of the evaluation team which shows that the gender issue is visible in only half of the analysed documents. The recent EC’s gender evaluation (2003) includes a Jordan country report which concludes that gender has been mainstreamed in a “sporadic way”. The evaluation team’s assessment is that gender has been mainstreamed in a “strategic way”. This is sustained by the following facts and analyses:

- Gender equality has been a concern for the higher management in the Delegation, not only for the focal point
- Gender has been given appropriate attention in at least two instances where the challenging issues of women’s rights and equal job opportunities were at stake

⁷⁷ Source : programme overview, 2006

- In both instances, mainstreaming efforts have not been much visible, but substantial impacts have been achieved

9.3 Environment

Facts

The Delegation has appointed a person in 2005 to be the “focal point” for environment, and has extensively pushed for considering the issue, e.g. “We try to properly mainstream environment and to be involved in all sectors. When there is a proposal for technical assistance or part of implementing a project we step in to make sure environment is mainstreamed”. The issue also receives high level support, e.g. “The EC has strategically considered the environment at Jordan level” (interview Delegation). The EC’s ‘Environmental Integration Handbook for Development Cooperation’ has been published in 2007.

The EC Delegation started to work on environmental issues within the last years of the period under evaluation. The works started officially with the Ministry of Environment since the beginning of 2006 with a project which consist in integrating international agreements climate change and biodiversity in the Jordanian environmental policies (project at regional level with Syria). The EC also supports the formulation of strategies on biodiversity, desertification, hazardous waste and sustainable transportation.

Jordan has also been involved in a series of European projects funded by the LIFE and SMAP programmes. They are directed towards academic institutes and NGOs rather than governmental organisations.

Several interviewees express the view that the attention to environment is not yet visible in non-environmental projects / programmes, e.g. “there were no instances where the issue of environment was addressed in relation to trade policy” (interview Government) [X2]. This view is likely to evolve rapidly since the rapid assessments (see Volume 3) show that the issue of environment is now mainstreamed in about two projects out of three. This is true for the formulation stage and continued at the management and monitoring stages (see Table 12) [X1].

There are instances where interviewees mention major environmental incidence, but without quoting any specific effort at addressing them, e.g.

- “The request to remove oil subsidy within SAF III has a positive indirect environmental impact” but the disbursement is made automatically if the conditionality is met, which does not make room for a dialogue on the cross-cutting issue (interview in EC)
- The EC has contributed to initiate new mechanisms that empower local governments and grass-root NGOs. “All starts from human rights but then you can use it for different purposes like protection of the environment, health care, or social assistance” (interview EC)

Table 12 – Mainstreaming environment – evidence from rapid assessments

| <i>Stage in the project cycle</i> | <i>Evidence of mainstreaming in %⁷⁸</i> |
|-----------------------------------|--|
| Formulation | 75 |
| Management | 75 |
| Monitoring | 63 |

Analysis

Assumption: environment has been mainstreamed where the potential benefits are the largest

The Jordanian experts of the evaluation team consider that the country's main environmental challenge is the sustainable management of water resources. This evaluation shows that this issue has been taken quite seriously by the EC, with successful achievements in some areas like non-conventional water resources. However, it cannot be said that environment has been consciously "mainstreamed" in the water sector.

There is a rapidly increasing focus on (1) building the country's capacity to manage environmental issues and on (2) assisting in the formulation of environmental strategies. These activities are worth to be mentioned here but they cannot be called "mainstreaming" because environment is their very purpose.

As regards conscious mainstreaming of environment in non-environment project, the evaluation shows that there is a relatively systematic practice, but possibly not a strategic one until 2005. The issue has however benefited from a high level support and strengthened staff since 2005.

9.4 Good governance

Governance is seen as both a major challenge for the country and an issue which is systematically addressed in all EC projects / programmes. This is supported by generic statements like: "Yes we do integrate governance, better than other issues", "most projects include a governance dimension" (interviews EC) [X2].

The mainstreaming of governance is however a nascent activity in the Delegation at the time of this evaluation. A focal point has been established in 2006, and guidelines (Governance Handbook) have just been made available⁷⁹. The recent global thematic evaluation on governance (including a Jordan country report) concluded that the issue was still rather weakly mainstreamed and that mainstreaming efforts were almost exclusively focused on public finance management [X1].

The concept of governance is broad and the guidelines cover many areas like human rights, democracy, rule of law, civil society, public finance administration, corruption, and decentralisation. The focal point covers the first 3 elements only.

⁷⁸ Rated "Yes" or "Rather yes", in proportion of rated projects

⁷⁹ 'Handbook on promoting good governance in EC development and cooperation' (2007). The Governance Unit in DG AIDCO has launched a study aimed on how to enhance governance analysis in sector programmes.

The rapid assessments (see Volume 3) suggest that the issue of good governance would be mainstreamed in about one project out of three, except at the stage of monitoring, as shown in the following table [X1]:

Table 13 – Mainstreaming good governance – evidence from rapid assessments

| <i>Stage in the project cycle</i> | <i>Evidence of mainstreaming in %⁸⁰</i> |
|-----------------------------------|--|
| Formulation | 33 |
| Management | 33 |
| Monitoring | 50 |

Box 25 – Governance

In 2003 (EC Communications 2003/615) the EC defined “good governance” as the set of “rules, processes, and behaviours by which interests are articulated, resources are managed, and power is exercised in society”. The concept encompassed human rights, democracy, rule of law, autonomy of civil society organisations, decentralised power sharing, and sound public management.

In a recent Communication (2006/421), the already very broad definition of the concept was enlarged again. “Democratic governance” is now defined as “respect of human rights and fundamental freedoms (including freedom of expression, information and association); support for democratisation processes and the involvement of citizens in choosing and overseeing those who govern them; respect for the rule of law and access for all to an independent justice system; access to information; a government that governs transparently and is accountable to the relevant institutions and to the electorate; human security; management of migration flows; effective institutions, access to basic social services, sustainable management of natural and energy resources and of the environment, and the promotion of sustainable economic growth and social cohesion in a climate conducive to private investment”⁸¹.

Only a part of this encompassing concept is reflected in the World Bank’s “good governance indicators”, i.e. accountability, voicing civil society’s interests, political stability, Government effectiveness, quality of regulation, rule of law, control of corruption.

More specific examples are:

- “Of course governance and responsibility is the main issue addressed when we are working at the local municipality level [through the EC supported PALD programme]” (interviews Government)

⁸⁰ Rated “Yes” or “Rather yes”, in proportion of rated projects

⁸¹ The Communication states that “measuring progress has recently proved to be feasible”, which can be related to the ACP governance country profiles (EC working document SEC-2006-1020 accompanying the Communication COM(2006) 421. A look at the profiles shows that the measurement is multidimensional, and confirms the encompassing character of the concept which is measured.

- The budget support project “to the implementation of National Agenda” (EUR 20 million in 2006) focuses, among others, on bringing forward the priorities related to good political and financial governance in Jordan.

Finally, and whilst the mainstreaming approach remains unclear, it should be stressed that most dimensions of good governance are addressed by the EC in Jordan:

- Human rights and democracy are addressed through policy dialogue and support to civil society (see 7)
- Public finance administration has been addressed and continues to be addressed through dialogue and technical assistance connected to economic policy reforms, and the management of water (see 3.4 and 6.46.5)
- Decentralisation has been addressed in connection with poverty alleviation (see 5.3)

Analysis

Assumption: governance has been mainstreamed where the potential benefits are the largest

The evaluation team has found it particularly difficult to rate the integration of governance in the assessed projects, because the issue is defined in a very encompassing way (see Box 25). There is a case of governance mainstreaming when attention is paid to human rights, democracy, rule of law, civil society, public finance administration, corruption, and/or decentralisation into an activities which is not primarily geared at any of these purposes. In fact, the EC’s definition of the concept is so large that virtually all facets of the EC support to Jordan can be said to be geared at “democratic governance”. In other words, there would be limited room for mainstreaming governance because almost all interventions have some governance ingredient in their purpose.

The EC (as a whole, and in Jordan) has handled governance as a cross-cutting issue quite recently. This makes the analysis even more difficult for the evaluation team.

Box 26 – Answer to the question X (Cross-cutting issues)

Interviewees in the EC consider gender as both an important and a difficult issue in the context of Jordan. The evaluation team's understanding is that the main challenges are in the areas of women's rights and women entrepreneurship. The analysis shows that the issue is mainstreamed in about one project out of two. This proportion should not be judged negatively. On the contrary, this evaluation shows that gender has been given appropriate attention in at least two areas where major challenges could be adequately addressed, and that substantial impacts have been achieved.

The Jordanian experts in the evaluation team consider that the country's main environmental challenge is the sustainable management of water resources. This evaluation shows that the EC has taken this issue quite seriously, but without a conscious mainstreaming of environment. The evaluation shows that there is a relatively systematic practice of mainstreaming environment in many projects, possibly not in a strategic way until recently. The issue has however benefited from high-level support and more human resources since 2005 (see section 9.3).

Good governance is said to be both a major challenge for the country and an issue which is systematically addressed in all EC projects / programmes. However, the evaluation team has had difficulties in identifying instances of mainstreaming of governance in the reviewed documents. This may be explained by the facts that (1) EC's capacity (focal point and guidelines) is recent, and (2) the EC defines the concept of good governance in a way which is all-embracing, and therefore poorly operational.

Box 27 – Cross-cutting issues (X) - main message and justification

Gender has been mainstreamed in a strategic and effective manner

Gender is both an important and a difficult issue in the context of Jordan. In this respect, the main challenges are in the areas of women's rights and equal job opportunities. Gender has not been mainstreamed in a systematic way, but it has been given appropriate attention in at least two areas where the main challenges could be adequately addressed, i.e. support to civil society organisations and to SMEs. In both instances, substantial impacts have been achieved.

Justification

Successful mainstreaming of cross-cutting issues is understood as a specific effort focused on major challenges rather than a systematic “box-ticking” routine (see top of this section).

Interviews in the Delegation show that gender is considered as a major challenge and a difficult issue (see 9.2). The documentary analysis shows that gender is mainstreamed in about one instance out of two (see Table 11), something which was qualified as “sporadic” in a 2003 report⁸².

In light of the selected judgement criterion, these findings do not entail a negative assessment. On the contrary, the assessment should take stock of how the EC has addressed the main challenge with gender in Jordan, i.e. women's rights as quoted in the interviews (see 9.2). Equal job opportunities are another major challenge, which has been added by the evaluation team.

There is evidence that both major challenges have been given appropriate attention in at least two instances:

- The selection of projects in the Sharaka programme has been gender sensitive. Even if several interviewed NGOs do not remember having been briefed on gender, the fact remains that several selected projects were promising in terms of gender, received gender-specific support from the EC, and kept their promises (see 7.6.).
- The successful EJADA programme has been gender sensitive at least in its management, even if interviewed SMEs do not remember having been briefed on gender. After the termination of the programme, seven members of the management team established themselves as private consultants. A majority of them are women, in a proportion which is far above Jordanian standards in the area of highly qualified jobs (see 8.4).

The evaluation team considers that these two examples are much more than anecdotes because:

⁸² Thematic evaluation of the integration of gender in the EC development cooperation with third countries. March 2003. Volume 2 – Report of the field mission to Jordan.

- Both examples show that the mainstreaming has occurred at the right place, at the right time, and in the right way for addressing challenging issues. The evaluation team considers that this success could not derive only from individual initiatives and that it is explained by the EC's institutional commitment to the issue.
- The identified Sharaka achievements in the area of gender are impressive.